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The Origins of Public Enterprise in the Canadian Mineral Sector: Three Provincial Case Studies

MICHAEL J. PRINCE
G. BRUCE DOERN

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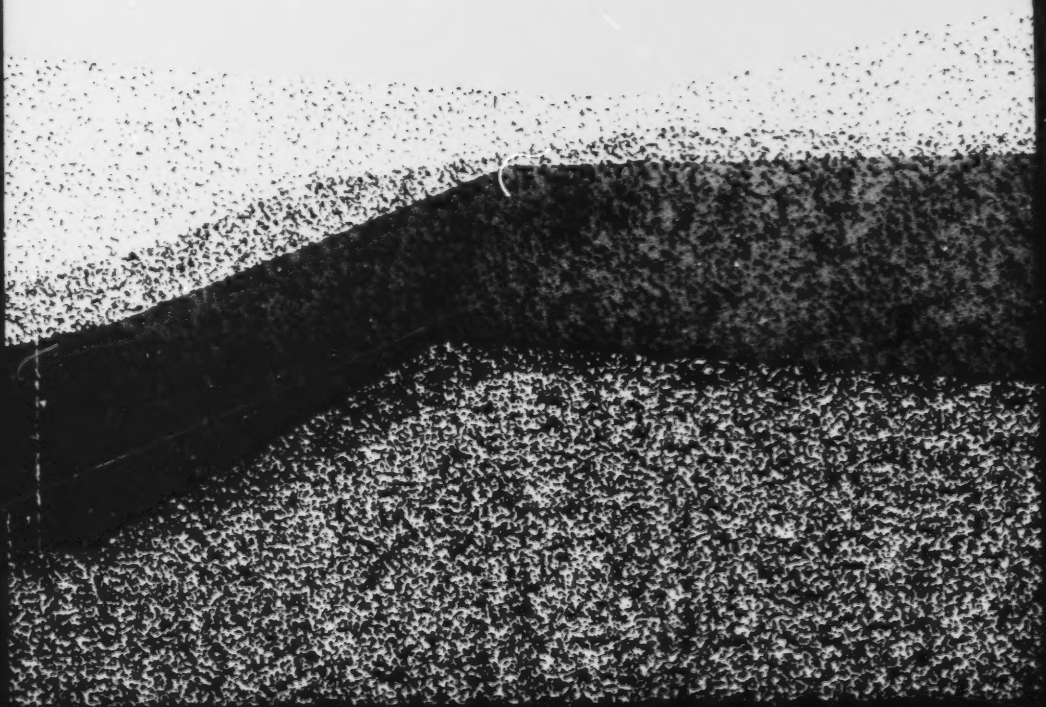

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THE ORIGINS OF PUBLIC ENTERPRISE IN THE CANADIAN MINERAL SECTOR: THREE PROVINCIAL CASE STUDIES

Michael J. Prince

and

G. Bruce Doern

With the Assistance of
Amy Bartholomew, Ian Currie and Richard Hanley

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Preface

This study represents research encouraged by the Centre for Resource Studies and aimed at improving knowledge of the Canadian mineral industry and the political and economic environment in which it operates. The authors examine concepts and issues underlying the establishment of public-sector participation in mineral enterprises in Canada, and in that context look at the origins of public enterprises in the three provinces: the B.C. Northeast Coal Development Office, the Saskatchewan Mining Development Corporation and the Potash Corporation of Saskatchewan, and Novaco in Nova Scotia. A bibliography of literature on public enterprise in the Canadian mineral sector is included.

The Centre's Working Paper series is offered for information and discussion, in an attempt to encourage feedback to the authors as well as additional research in mineral policy. Views expressed are those of the authors and do not necessarily represent the views of the Centre for Resource Studies or its sponsors.

Margot J. Wojciechowski
Centre for Resource Studies

FOREWORD

This study began with a proposal by the authors to the Queen's Centre for Resource Studies (CRS) for a research project that would explore the origins and operations of selected Crown corporations at the provincial level in Canada in the mineral sector. As such it was part of a larger program of work on state enterprises being carried out at the Centre for Policy and Program Assessment, School of Public Administration, at Carleton University. CRS, for various financial and other reasons related to its research priorities, responded by asking us to both broaden and narrow the focus in various ways. The broadening came in the form of a request to relate the study to the federal level and to gather general data on the overall extent of direct state enterprise involvement in the mineral sector. The narrowing came in the form of a request to focus only on the 'origins' of selected companies rather than their operations.

The final product thus represents a compromise between these two sets of research priorities but one which we think adds some useful overall information about, and analysis of, Crown corporations in the mineral sector. We did encounter some inevitable problems in how best to assemble the material for the interested reader. The result has been to put the more general background information in a series of appendices and to focus the main body of the text on the three case studies which are examined in relation to a framework of basic concepts and issues drawn from the academic literature on Crown corporations. The case studies therefore deal with the origins of Crown enterprises in three provinces, British Columbia, Saskatchewan and Nova Scotia. The appendices contain general information on other literature on Crown corporations in the mineral sector, and on federal and provincial government involvement in mineral enterprises. An analysis of recent federal policy on the mineral sector including the possible role of federal Crown corporations has been published by CRS as a separate paper.

We wish to thank our three research associates, Amy Bartholomew, Ian Currie, and Richard Hanley, for their assistance in this study. Thanks is also due to our colleague Professor Maureen Molot who provided helpful commants on an earlier draft of this manuscript as well as to Margot Wojciechowski at Queen's Centre for Resource Studies. Financial support for this research effort came from the Centre for Resource Studies and is gratefully acknowledged. Num-

erous governmental officials and other individuals who kindly agreed to be interviewed and to comment on the manuscript have also contributed to this work. Finally, we wish to thank Jane Tallim and Monica Wright for their typing and editorial contributions.

Michael J. Prince
G. Bruce Doern
February, 1984.

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SUMMARY

Public enterprises are playing an increasingly active role in the Canadian mineral industry. An examination of the origins of four such agencies in three provinces, and the issues and decision processes that led to their formation, provides a basis for further inquiry into the role of Crown corporations and other public bodies in our economy and in policy formulation.

The Northeast Coal Development Office (NECDO) was established by the British Columbia government in 1981 to act as the coordinating office for the Northeast Coal Development Project. NECDO provides a useful case study, when analyzing the processes that led up to a decision to create a public body, specifically one that was not a Crown corporation. The origins of NECDO were influenced by a multiplicity of interrelated variables, including political ideologies, personalities, mineral and economic development policies, infrastructure policies, short-term economic pressures, and federal-provincial rivalries.

Two Saskatachewan Crown corporations, the Saskatchewan Mining Development Corporation (1974) and the Potash Corporation of Saskatchewan (1975), were the creation of the governing New Democratic Party. An investigation into the origins of these two corporations indicates that, while ideology was a predominant factor in their formation, federal/provincial disputes, economic pressures, and particular events and personalities were also among the contributing factors. A study of the dynamics of the decision processes leading to the establishment of these two corporations serves to underline that the development of such enterprises rarely follows a fully planned or predictable path.

Novaco Ltd. was established in 1970 as a departmental corporation within the Nova Scotia Department of Mines, to administer pre-retirement leaves to miners and subsidies to private coal companies during a period of coal mine rationalization and closures. The motives behind subsequent modifications to the corporation, while inspired by practical considerations, could also be interpreted as being influenced by ideological concerns generated by the government's commitment to limit foreign control of the province's resources and industry.

Assessment of the origins of NECDO and the three corporations, and the influence of such factors as political ideologies and parties, personalities, private-sector interests, federal/provincial relations, the specific decision processes, the subsequent instrument choices, and other

pressures, reveals the difficulties inherent in any attempt to describe systematically the causes for the establishment of Crown corporations. However, in focusing on these four case studies, the analysis of concepts and issues provides insight, not only into the formation of mineral Crown corporations, but also into some of the processes of mineral policy itself.

RÉSUMÉ

Les entreprises publiques jouent un rôle de plus en plus important dans l'industrie minière canadienne. Une étude des origines de quatre de ces agences dans trois provinces, ainsi que des questions débattues et des processus de décision qui ont amené leur création, permet d'examiner plus amplement le rôle des sociétés de la Couronne et d'autres organismes publics dans notre économie et dans l'élaboration de la politique.

Le Northeast Coal Development Office (NECDO) a été mis sur pied en 1981 par le gouvernement de la Colombie-Britannique pour servir de bureau de coordination pour le Northeast Coal Development Project. Le NECDO est une étude de cas utile si l'on veut analyser les processus qui ont amené le gouvernement à créer un organisme public, tout particulièrement un organisme qui n'est pas une société de la Couronne. Les origines du NECDO ont subi l'influence d'une multiplicité de variables étroitement liées entre elles, comme les idéologies politiques, les personalités, les politiques de développement économique et minier, les politiques d'infrastructures, les pressions économiques à court-terme, et les rivalités fédérales et provinciales.

En Saskatchewan, on examine deux sociétés de la Couronne créées par le gouvernement néo-démocratique, la Saskatchewan Mining Development Corporation (1974) et la Potash Corporation of Saskatchewan (1975). Si l'on examine l'origine de ces deux sociétés, on constate que, bien que l'idéologie ait été un facteur prédominant dans leur création, les différences entre le fédéral et le provincial, les pressions économiques, ainsi que des événements et des personalités donnés ont également joué un rôle prépondérant. Une étude de la dynamique des processus de décision aboutissant à la création de ces deux sociétés sert à souligner le fait que le développement de telles entreprises suit rarement un tracé prévisible et bien planifié à l'avance.

Novaco Ltd. était une société ministérielle quand elle a été créée en 1970 au sens du ministère des Mines de la Nouvelle-Ecosse pour administrer les congés de pré-retraite des mineurs et les subventions aux compagnies de charbonnage privées à une époque de fermeture et de rationalisation des houillères. La société a subi plus tard des modifications motivées par des raisons pratiques, mais que l'on pourrait aussi interpréter comme le résultat de préoccupations idéologiques dues à l'engagement qu'avait pris le gouvernement de limiter la participation étrangère dans les ressources et l'industrie de la province.

L'analyse des origines de NECDO et des trois sociétés, et de l'influence de facteurs tels que les idéologies et les partis politiques, les personalités, les intérêts particuliers, les relations entre les gouvernements fédéral et provincial, les processus de décision spécifiques, les choix ultérieurs des moyens d'action, et d'autres pressions, révèle les difficultés inhérentes à toute tentative de description systématique des raisons qui ont amené la création de sociétés de la Couronne. Cependant, quand on examine de près ces quatre études de cas, l'analyse des concepts et des questions débattues nous éclaire, non seulement sur la création des sociétés minières de la Couronne, mais aussi sur quelques-uns des processus de la politique minière elle-même.

1. INTRODUCTION

Not enough is known about federal and provincial government companies and corporate interests operating in the mineral sector of the Canadian economy, although more than seventy such public enterprises exist across the country (see appendix II). To help fill this gap, this study examines the origins of four provincially-owned public enterprises in the mineral resources sector in three provinces, and provides other general information on the extent of public enterprise in this sector.

The study does not deal with the operations and effects of public corporations. Rather, we focus on the origins of public enterprise, in the belief that, before we can deal with the operations of such enterprises, we must understand their beginnings. Before we can properly assess the accountability of public corporations to legislatures and governments we must appreciate the intentions of the authorities that created them. And before we can fairly judge the efficiency and effectiveness of state enterprise we must examine their objectives and the ideas that influenced their establishment.

Because economic geography and political ideology can be important factors in politics and public administration, it is necessary to select public enterprises from jurisdictions reflecting the views of different political parties, and reflecting different conditions of economic and regional development. We therefore examine the use of public ownership in the mineral and related policies in three provinces: British Columbia, Saskatchewan, and Nova Scotia. We have selected three provinces in order to provide a manageable comparative provincial perspective. A broader perspective is also provided, however, by drawing from relevant literature on other provincial as well as federal public corporations.

Data sources used in the study include government documents such as statutes, legislative debates and committee reports, annual reports, press releases, and policy discussion papers; newspaper articles and editorials; the general literature on public corporations, mining policy, and federal and provincial government and politics; and confidential interviews with government officials and politicians, as well as organized labour and mining industry representatives.

The analysis is organized as follows. Chapter 1 provides a framework containing the general concepts and issues needed to examine the origins of public corporations

in Canada, including the mineral policies of the provincial governments involved and the policy involvement of the federal government. Chapters 2, 3, and 4 are the focal point of the study. They examine the origins of four enterprises in three provinces, the British Columbia North East Coal Development Office, the Saskatchewan Mining Development Corporation, the Potash Corporation of Saskatchewan, and Novaco in Nova Scotia. Each case is examined in relation to the issues and concepts set out in chapter 1. Finally, in chapter 5, we offer some general conclusions about the provincial case studies. Appendix I reviews the existing literature on public enterprise in the Canadian mining industry. Appendix II briefly reviews overall federal and provincial public enterprises in the mineral sector.

2. THE ORIGINS OF PUBLIC ENTERPRISE: CONCEPTS AND ISSUES

Social science and modern political economies are not often mutually cooperative. The inherent task of social science is to bring some analytical order to complex events by devising frameworks to help understand why things happen the way they do. The world of ongoing decisions meanwhile proceeds at full speed, not readily lending itself to analysis. This study of the origins of Crown corporations cannot avoid this inevitable tension. Some kind of organizing framework is essential, but one knows from the outset that it can only be a guide through the dynamics of particular decisions each of which is lodged in particular historical contexts. But within the idiosyncracies of each case there are also certain persistent ideas, themes, and forces which make comparison worthwhile, and which allow us to understand in part at least why decisions have been made.

The purpose of this chapter is to present a framework which incorporates the concepts and issues needed to deal with the origins of public corporations in Canada. The framework draws on a variety of literature, including previous work by the authors. Our objective is not to develop any new conceptual basis for analyzing the subject, but rather to take what we now know in a more general sense and apply it to the mineral sector.[1] At the end of the chapter we then briefly introduce the case studies as a prelude to the detailed analysis in chapters 2, 3, and 4.

To understand the origins of Crown corporations, one must first understand such concepts as: the relationship between normative rationales and ideas versus the interplay of other causal factors involved in resorting to public ownership; political ideologies and partisan politics; the choice of policy instruments; the numerous types of public enterprise; and the more specific decision processes involved in establishing public enterprises. In addition, one must inevitably relate these concepts to the issues of federal/provincial, public-sector/private-sector, and international re-

1. See Allan Tupper and G. Bruce Doern eds., Public Corporations and Public Policy in Canada (Montreal: Institute for Research on Public Policy, 1981), J.R.S. Prichard, ed., Crown Corporations: The Calculus of Choice (Toronto: Butterworths, 1982), and Marsha Gordon, Government in Business (Montreal: C.D. Howe Institute, 1981).

lations. One must also appreciate the net balance of interests that support and oppose the public corporation, and the tensions between managerial autonomy and governmental accountability of public enterprise. Each of the above concepts and issues are set out in this chapter to provide a framework for analyzing the three provinces' experience. Table 1 lists them in the order in which they are examined below.

Normative Rationales versus Empirical Factors

When a public corporation is formed, what are the connections between the normative rationales and ideas[2] (i.e. the official reasons given), and the actual causes of its creation? Dealing with such a question involves a need to distinguish normative rationales from empirical factors. Normative rationales are the broad public policy ideas and purposes and the official statements outlining a government's reasons and beliefs for resorting to the public enterprise option. They imply a long-term perspective, and stress the importance of general ideas and beliefs as significant determinants in the decision to create a public enterprise. There is a strong need to stress the importance of these ideas and rationales, because there is a tendency to argue that Crown corporations are created solely for 'pragmatic' reasons. The implication too often is that pragmatism denotes the absence of ideas, and the triumph of marginal calculation and strategic incrementalism.

A wide range of potential rationales lies behind the formation of public sector enterprises. Some of those commonly heard in Canada include:

- security of supply;
- the capture and socialization of resource rents;
- protection of provincial or federal jurisdiction;
- better information on an industry (the so-called 'window' function);
- economic and regional development;
- bailout, revitalization and/or reorganization of a declining industry;

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2. On the role of ideas in policy choice, see G. Bruce Doern and Richard W. Phidd, Canadian Public Policy: Ideas, Structure, Process (Toronto: Methuen, 1983), chapters 2 and 6.

Table 1 Concepts and Issues

Normative rationales and ideas versus the interplay of empirical factors	- the relationship between official policy statements on the ideas behind government action and the interplay of economic, political, and foreign interests and events.
Ideologies and political parties	- general beliefs about the proper role of government in relation to private and market activity, usually ranged along a conservative-liberal-socialist continuum.
Federal-provincial relations	- the degree of intergovernmental conflict and/or cooperation.
Public-sector/private sector relations	- the degree of conflict and/or cooperation between the public and private sectors.
International relations	- the international characteristics of a given sector or industry.
Proponents and opponents	- the interests that support and/or oppose the establishment of a public corporation.
Policy instruments	- the range of techniques through which government can intervene; e.g. regulation, taxation, spending and public enterprise.
Types of public enterprise	- the range of organizational modes available for public enterprise intervention.
Decision process	- the specific decision-making process for establishing a public enterprise, and the deadlines, personality factors, and strategic issues of timing.
Autonomy versus accountability	- the degree of independence from, and responsibility to, government for the operations of a public corporation.

- avoidance or minimization of federal taxation;
- control of the rate of development;
- nation building, or province building, or economic nationalism, or 'defensive expansion';
- provision of infrastructure support;
- sector building, promotion of economic growth or diversification in a sector;
- regulatory purposes.

These rationales are in turn surrogates for, or extensions of, a host of persistent ideas that have characterized Canadian federal and provincial politics for decades, including nationalism, regionalism, stability, equity and redistribution.[3]

Such ideas and rationales must be understood as separate factors, but must also be linked to the empirical factors and events influencing the creation of Crown enterprises. The latter reflect actual situational forces, such as provincial, national, and private sector interests and events including short-term events and deadlines, partisan tactics, electioneering, bureaucratic factors, and personalities.

Ideologies and Political Parties

The ideas and rationales set out above should in part be distinguished from ideologies per se. The term ideology is used here to denote overall general systems of political belief and action about society, usually ranged along a continuum of conservative, liberal and socialist views.[4] Are ideologies an expression of socialist philosophy? Do the various political parties exhibit definite philosophies in connection with public ownership?

It has often been asserted that ideology as defined above has little to do with explaining the origins of public corporations. All major political parties in Canada, it is argued, have had some involvement in public enterprise. Governments of liberal, conservative, and socialist persuasion have all used public corporations. Moreover, parties of the non-left (Liberal, Progressive Conservative, Union Nationale and Social Credit) have been responsible for creating more Crown corporations in total than the parties of the left wing of the political spectrum (New Democratic

3. Ibid., chapters 2, 14, 15, 16 and 17.
4. See W. Christian and C. Campbell, Political Parties and Ideologies in Canada. Second Edition (Toronto: McGraw-Hill Ryerson, 1983).

Party, Parti Quebecois). However, recent work by Vining, Chandler, and Tupper and Doern points out some interesting linkages between party ideology and public ownership.[5] It shows that, first, provincial governments of the left are far more likely to establish public enterprises during their terms of office than are non-left governments at the provincial level. Second, left-of-centre governments have created public corporations with greater frequency, at a rate that is almost triple that of the non-left parties. In terms of the ratio of public corporations created to years in office, left-of-centre parties have created an average of three corporations for every two years they were in office, compared to one corporation every two years for non-left governments.

Other factors also suggest the need not to underplay the ideology variable. For example, it is essential to stress that there are factions within the main parties with varying degrees of general support for, or opposition to, the use of public enterprise. All the major political parties are coalitions, with their own left-right elements. It is possible, indeed probable, that radical members of the NDP, 'red Tories', and left-wing Liberals will exert a form of ideological pressure within each of the parties for creating public enterprises.

Federal-Provincial Relations

Public corporations are influenced by Canadian federalism in several ways. Federalism is a constitutional reality and hence a dominant political institution. It provides a base of power for governments to act both in the public interest and in their own interests.[6] It creates dynamics which enter the network of forces leading to the use of public en-

5. See Aidan R. Vining and Robert Botterall, 'An Overview of the Origins, Growth, Size and Functions of Provincial Crown Corporations'; Marsha A. Chandler, 'The Politics of Public Enterprise', in Prichard, Crown Corporations: The Calculus of Choice; and Tupper and Doern, Public Corporations and Public Policy in Canada.
6. On the concept of interests, as distinct from interest groups, see G. Bruce Doern and Glen Toner, The NEP and Energy Politics (Toronto: Methuen, 1984), chapter 1; and Doern and Phidd, Canadian Public Policy: Ideas, Structure, Process, chapter 3.

terprises. For example, the establishment and successful operation of a Crown corporation in one province may prompt other jurisdictions to embark on comparable experiments. More significantly, public corporations may be employed as instruments for counterattacking the policies of other governments. And under certain circumstances, state enterprises may be used to escape the rigidities of a formal division of constitutional power. By the same token, federalism, by prohibiting certain forms of economic intervention, may frustrate the entrepreneurial ambitions of governments. Historically, the Canadian constitution has not raised many important roadblocks to the deployment of Crown corporations. A major exception was the legislation proposed by the federal Liberal government, Bill S-31, to restrict to 10 percent the holdings of provincial governments in interprovincial transportation companies.[7]

As well as influencing the scope of public enterprise, the politics of federalism constitutes an important determinant of the behaviour of various corporations. In a federal state characterized by interventionist governments at both levels, Crown corporations, like the governments that own them, can scarcely ignore the demands and interests of other actors in the federation. Public corporations are, therefore, both the objects of federal-provincial and interprovincial conflict as well as arenas in which much intergovernmental collaboration is achieved. Crown corporations can also be either the objects of fiscal dispute or arenas in which the blame or credit for various subsidization measures can be politically arranged. State enterprise fosters accommodation on a bilateral federal-to-provincial Crown corporation basis, or on a multilateral basis involving the Crown corporations and the governments themselves. Creation of a public corporation or the purchase of private assets may equally be used by governments as a window on the activities of other levels of government, in ways which could not be fully achieved through other instruments of policy.

Under the Canadian constitution, federal Crown corporations are exempt from provincial regulatory legislation and from provincial taxation of property. Professor LaForest has outlined the place of provincial Crown corporations in the constitutional process:

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7. On Bill S-31, see The Globe and Mail, November 26, December 1, 4 and 9, 1982; and The Financial Post, January 1, 1983. The bill has since died.

> The activities of a provincial Crown corporation are not limited to the confines of the provinces, and it may even enter fields normally within federal jurisdiction (for example, airways), though in such fields its operations would be subject to federal regulatory control. In operating business enterprises, a province has advantages similar to those of the Dominion. Thus, the property of the provinces and provincial Crown corporations is exempt from taxation by the Dominion and probably by other provinces. The provinces do not, however, have the power to create a provincial government monopoly by prohibiting Dominion corporations or Dominion Crown corporations from conducting certain activities in the provinces.[8]

Moreover, provincial governments creating Crown corporations in a federally regulated field will find the division of powers a severe constraint on their ability to use their corporation as an instrument of provincial development.[9]

In accordance with Section 109 of the British North America Act of 1867, the provincial governments are constitutionally predominant in the field of mineral resources, although the federal government enjoys some defined areas of jurisdiction over the minerals sector as well. Provincial public ownership of mining enterprises can therefore be a way of diverting revenues from the federal to the provincial coffers through the avoidance of federal taxes. Professor LaForest observes:

> A provincially owned industry is constitutionally exempt from taxation by the federal parliament, so that revenues derived from taxes that would go to the federal government if an industry were privately owned remain as profits to the province, a matter of no inconsiderable importance having regard to the great demands made on the taxing powers of the provinces.[10]

Provincial ownership of mineral resources enables provinces to raise revenue to finance public services, provides

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8. Gerard V. LaForest, Natural Resources and Public Property Under the Canadian Constitution (Toronto: University of Toronto Press, 1969), p. 169.
9. See Allan Tupper, 'Pacific Western Airlines', chapter 8, in Tupper and Doern, Public Corporations and Public Policy in Canada.

them with the potential for a powerful instrument for shaping their economies, and gives provincial authorities bargaining power when the federal government proposes schemes involving the mineral sector in the provinces.[11]

Public-Sector/Private-Sector Relations

'With very few exceptions, the Canadian mineral industry is a private enterprise system, operating in a market economy and controlled by its shareholders and corporate management.'[12] In 1975, of 3,911 corporations in the Canadian mining industry, only ten (or 0.3 percent) were federal and provincial Crown corporations. These government enterprises represented 1.5 percent of total assets, 2.0 percent of equity, 0.8 percent of sales, and 0.6 percent of profits in the mining industry that year. In the mineral manufacturing industries, of 1,774 corporations surveyed only three (or 0.2 percent) were Crown corporations.[13] Clearly, the Canadian mining industry is dominated by private corporations. In general, government mineral policies have been formulated to operate within and facilitate the growth and development of this private enterprise system. However, the recent creation of a number of public enterprises in Canada represents a change in the traditional approach to promoting economic development in the resource sector.

Underlying our study of the origins of public enterprise in the mining sector is a concern about the role of public enterprise in the modern economy. Should public corporations be seen as profit-seeking organizations whose

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10. Gerard V. LaForest, Natural Resources and Public Property Under the Canadian Constitution, p. xiii. See also La Forest's The Allocation of Taxing Power under the Canadian Constitution (Toronto: University of Toronto Press, 1967).
11. See R.M. Burns, Conflict and its Resolution in the Administration of Mineral Resources in Canada, (Kingston: Centre for Resource Studies, 1976). See also M. Bucovetsky, 'The Mining Industry and the Great Tax Reform Debate' in A. Paul Press (ed.), Pressure Group Behaviour in Canadian Politics (Toronto: McGraw-Hill Ryerson, 1975), pp. 89-114.
12. M.J. Wojciechowski, Federal Mineral Policies 1945-1975 (Kingston: Centre for Resource Studies, 1979), p. 4.
13. Canadian Mineral Yearbook 1977 (Ottawa: Energy, Mines and Resources, 1979), tables 64 and 65.

performance is best measured by conventional commercial standards? Or conversely, are they best seen as 'policy instruments' whose performance should differ radically from private enterprise? Governments in this country have seldom whole-heartedly embraced one or the other competing concept. Tensions between corporate profitability and the accomplishment of political and social purposes have been present in most Crown corporations. While governments have generated few comprehensive policies on the resolution of the 'profit/policy' trade-offs, it appears that one or the other view of public enterprise has tended to be dominant at particular points in time.

The norms governing competition between public and private sectors constitute an important determinant of corporate behaviour and provide insights into the state's economic role and the functions of public corporations. Underpinning contemporary debates is a profound question: should public corporations be supportive of private firms, or should they compete directly with the private sector across a range of activities?

The nature of relations between public and private firms in particular industries is influenced by many forces including technology, ideology, patterns of industrial organization, and the mode of the state's direct entry into the industry. As a result, generalizations are difficult to make in this area. The relationship between public and private corporations is obviously a dynamic one.

The most venerable business lament about Crown corporations in Canada is that they are a source of unfair competition. This view holds that public enterprises' association with the state shelters them from the discipline of market forces and permits them to pursue strategies unavailable to their private competitors. Commonly cited examples of the advantages enjoyed by Crown corporations are their privileged tax positions, their easier access to capital financing, and an allegedly preferred status in the eyes of regulators. However, the question of unfair competition is rather more complex than implied above. Crown corporations, while sometimes enjoying special status in the performance of their policy roles, are also subject to a number of government-imposed constraints on their behaviour. Therefore, any realistic assessment of the relative position of public and private firms must appreciate that Crown corporations' association with the state is a double-edged sword. The relationship between public and private enterprise may be competitive, conflictive, cooperative, or even collusive.

Public-sector/private-sector relations and the origins of public enterprise cannot be understood unless they are related to the characteristics of the particular industry under examination. Is the industry growing, declining, or holding its own? How important is the sector to the economy in terms of employment and government revenues? How many firms are in the industry? What size are the firms? Are they domestic or foreign-controlled corporations? How much vertical integration is there in the industry? Do alternative sources of supply exist or can other inputs be substituted?

It must be emphasized that private firms interact with governments as interests or entities that have the power to act, to invest or not invest, to initiate projects, or to slow down the pace of development. They therefore enter into situations in which a form of bargaining occurs, whether it is recognized as bargaining or not.

International Relations

In a similar way, international interests also exist. Three issues can be highlighted regarding public corporations and international relations:

- public corporations as instruments of Canadian foreign policy;
- foreign state enterprises participating in Canada;
- foreign private control of corporations operating in Canada, and their links with U.S. or other foreign policy.

Increasingly, major federal and provincial public corporations have become central actors in Canadian foreign policy as an instrument of direct government-to-government relations (a strongly preferred instrument among Third World countries in their dealings with Canada). Some public corporations have become significant and influential actors within their industries. This is obviously the case with Petro-Canada, not only vis-a-vis the United States and foreign multinationals, but also as an instrument of Third World foreign aid. It is true of the Potash Corporation of Saskatchewan as well. International economic relations and balance-of-payment considerations will also be increasingly affected by the fact that federal and provincial Crown corporations (such as provincial public utilities) are often the biggest public sector users of foreign capital markets.

Public sector participation in mineral ventures in Canada include not only the federal and provincial governments and their agencies but also the participation by foreign governments and their agencies. A 1977 study on public corporations exploring or investing in mineral development in Canada found a high level of foreign participation:

> National companies of several foreign governments have initiated prospecting and mining operations in various mineral-rich countries of the world. Canada offered great opportunities for such ventures. In recent years, Canada has been host to seven foreign governments or their agencies through forty-nine companies that prospect for, extract, produce, and sell Canadian minerals.[14]

The foreign governments involved in mineral ventures in Canada and the number of companies in which they had a participating interest were as follows: France (25), West Germany (6), Britain (5), Italy (5), Japan (4), Holland (2), and Spain (2). In the Canadian mineral industry, foreign state enterprises have participated especially in the areas of oil and gas, uranium, iron ore, and coal. The number of companies or agencies in which foreign governments participate rivals the number of Canadian Crown corporations or public organizations involved in mineral ventures (see appendix II).

The origins of many domestic public enterprises are certainly related to ideas of Canadian nationalism and to perceptions of the challenges or dangers of foreign control in key sectors of the economy. Public corporations are decidedly influenced by concerns over foreign ownership. For example, public corporations may be utilized as instruments of 'defensive expansionism', reacting to the presence of foreign-controlled corporations. As well, public corporations may be set up to promote the Canadianization of the domestic economy, to resist foreign capital (especially from the United States), to save jobs threatened by decisions of multinational firms, or to favour Canadian suppliers. In the Canadian mining industry, though only a small minority of corporations are foreign controlled, the majority of assets, equity, sales, and profits are held by foreign corporations.

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14. Jean-Paul Drolet, Government Participation in Mineral Ventures in Canada (Ottawa: Energy, Mines and Resources Canada, June 1977), p. 6.

Proponents and Opponents

The analysis of the origins of public enterprise requires some judgement of the net configuration of interests reflected in the interplay of the relations described above: that is, the federal-provincial, public-private, and international relations. In short, one must judge the net configuration of proponents and opponents.

The traditional antigovernment rhetoric of business people provides little insight into the complexities of the modern mixed economy.[15] Generalizations are difficult because of the diversity of industrial views. Business interests are quick to denounce public corporations when state enterprise undertakes activities detrimental to private sector competitors. On the other hand, recent experience in the oil, gas, and potash industries suggests that private firms, even if not supportive of Crown corporations, are able to coexist peacefully with them. In the final analysis, private sector firms and governments have independent bases of power - that is, capacities to act, - and thus they exist in a relationship of power vis-a-vis each other, each in pursuit of independent ideas and rationales.

The Choice of Policy Instrument

When a government decides to intervene in the economy, in order, for instance, to implement a mineral policy, the general types of governing instruments or courses of action available include:

- doing nothing, or leaving it to the realm of private behaviour;
- exhortation or symbolic action;
- expenditures, or the provision of services;
- regulation;
- taxation;
- direct public ownership.

Table 2 shows how instrument choice can be arrayed along a continuum; it implies the use of different degrees of coercion, levels of sanction, or degrees of intervention depending upon the terminology used. Table 3 shows examples of finer gradations of choice that exist within each of these

15. Tupper and Doern, Public Corporations and Public Policy in Canada, p. 23.

Table 2

Policy Instruments and Degree of Coercion

Instruments of Governing	Degrees of Legitimate Coercion
Private behaviour	Minimum
Exhortation	
Expenditure	
Service provision	
Regulation	
Taxation	
Public ownership	Maximum

basic policy instruments. Under public ownership, for example, these finer choices could include a full Crown corporation with its own statute, a joint public-private venture created under the Companies Act, the acquisition of some or all shares or assets (of some or all private firms), and the acquisition of total supply of a firm's product through long-term contracts.

This simple listing of the policy instruments and the subtle varieties of the general types available demonstrate the complexities and inherent difficulties in generalizing about why and when certain instruments are used. In reality, these basic instruments involve different degrees and perceptions of coercion, and hence they are valued or abhorred of and for themselves. They are not purely the means for achieving policy goals. In democratic politics especially, purposes, processes, and instrumentalities are equally valued, and all are objects of intense dispute.

Not only are the instruments themselves valued as ends by different groups in the political and economic community, but they must be related to broader public policy ideas and purposes (normative systems).[16] Often, over an

16. On the calculation of instrument choice see, M. Trebilcock, R.S. Prichard, D. Hartle, and D.N. Dewees, The Choice of Governing Instruments (Ottawa: Eco-

Table 3

Finer Gradations of Choice in Policy Instruments

Exhortation	Royal commissions Ministerial speeches Advisory bodies Conferences
Expenditure	Grants Loans Subsidies Loan guarantees
Service provision	Mapping Infrastructure Metallurgical research Advisory services
Regulation	Mineral leasing Work requirements Mine safety Explosives regulations
Taxation	Royalties Income taxes Rents Fees
Public ownership	Crown corporations Purchase of share of private firms Purchase of private firms' output by long-term contract

extended period of time, certain instruments may be closely linked to central dominant ideas in a policy field by being the preferred or dominant instrument. For example, in the mineral sector the traditional use of the tax instrument in the form of fiscal concessions or incentives (special deductions, allowances, and exemptions) for the mining industry reflected ideas about encouraging the investment of private

nomic Council of Canada, 1982); and Doern and Phidd, Canadian Public Policy: Ideas, Structure, Process, chapters 5 and 12.

capital, and promoting exploration, exploitation, and growth in mineral development. These central ideas also included a willingness to give generous terms for the disposition of mineral rights under the regulatory instrument, and a comprehensive range of government services to industry under the expenditure instrument. Other ideas central to the mineral policy field include the nonrenewability of mineral resources, and the relatively high risks inherent in the industry.[17]

When do governments select the public ownership instrument, as opposed to other instruments? Several case studies of public corporations in Canada (mainly in the non-mineral field) suggest that the direct ownership instrument was selected only after the extensive use of other policy instruments including regulation, spending, and taxation. Only in a few cases was public ownership the first resort or something close to a first resort by governments. Beyond this kind of generalization, it is important to stress that there is no science of instrument choice. This is because the choice is part of a relationship of power and bargaining. Instruments, moreover, are not mutually exclusive or totally substituted for each other. Rather, public ownership is more frequently added to an array of existing instruments that have been tried and found wanting, 'or at least are believed to be found wanting'.[18]

Types of Public Enterprise

Just as one must recognize the range of choice among the instruments noted above, so also is there a range of choice, albeit a narrower range, within the category of public enterprise. An examination of the origins of public enterprise in the mining sector requires a definition of the concept of public enterprise, and differentiation of the many types of enterprise that exist.

A public corporation is nominally a formal organization with a corporate form of administration, which serves some purposes on behalf of government but which is separate

17. See W. Keith Buck, Mineral Development Policy, MR 64, (Ottawa: EMR, 1963); Wojciechowski, Federal Mineral Policies; and Marsha A. Chandler and William M. Chandler, Public Policy and Provincial Politics (Toronto: McGraw-Hill Ryerson, 1979).
18. See Tupper and Doern, Public Corporations and Public Policy in Canada, p. 19.

from the executive branch of government and exhibits a mixture of managerial autonomy, public accountability, and social responsibility. Each of these basic features can be briefly elaborated upon.

Public corporations are legal entities in their own right, representing a distinct identity and activity. They exhibit a corporate form of management at the senior level and perform services on behalf of government. Those services may be commercial, quasi-commercial, social, cultural, regulatory, or administrative in nature. The public corporation may not be wholly owned and/or created by government, but at a minimum it is intended to be influenced by, and advance the achievement of, government policy. Public corporations lie outside the regular civil service structure. They are not headed by Cabinet ministers and are not directly accountable to a legislature. Finally, inextricably linked with the concept of a public corporation is the idea that these organizations contain some combination of autonomy and accountability for their activities and overall performance.

The full and varied range of public corporation types is listed in table 4. It conveys the widely varying mixtures of full and partial ownership and the full array of public, private, foreign and domestic modes that are possible and that already exist. The table is reasonably self-explanatory and will not be discussed in any great detail. In our case studies, however, we will pinpoint how various specific modes have become key issues.

In considering types of public corporation it is also necessary to note the distinction between new ventures and takeovers. Takeovers are not the usual or traditional mode of initiating public enterprise. As Laux and Molot observe, the nationalization of established and profitable privately-owned mining firms 'represents a departure from the norm of state intervention in North America'.[19] The acquisition or expropriation of existing private firms is a highly visible and coercive form of intervention and can generate considerable conflict. However, nationalization may have certain benefits for government. As Fournier states, 'the acquisition of an existing firm has ... advantages relating to expertise and marketing facilities, in an area where starting from scratch would ... (pose) substantial difficulties', especially in a well developed, vertically integrated industry.[20]

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19. Laux and Molot, in Public Corporations and Public Policy in Canada by Tupper and Doern, p. 189.
20. P. Fournier, in Public Corporations and Public Policy in Canada by Tupper and Doern, p. 360.

Table 4

TYPES OF PUBLIC CORPORATIONS

Crown corporations	Departmental Agency Proprietary Unclassified Crown companies established under the companies act(s)
Mixed enterprises	Public-private ownership
Joint enterprises	Public-public or private-private partnership
Joint ventures	Public-private collaboration
Hidden Crown corporations	Private firms as chosen instruments
Privatized firms	Partial or total selling or giving of shares/assets to citizens or investors
Composite firms	Foreign/domestic, public/private
Foreign state enterprises	Foreign public ownership
International public corporations	Inter-state public agencies
State holding companies	Partially or wholly owned by government

Decision Processes

Public corporations can be, and have been, set up in different ways under different decisional processes and political circumstances. In general, public enterprises may be established under any one of the following processes:

- created by a legislature with a specific statute;
- incorporated under the Companies Act;
- established by a Cabinet through an order-in-council.

As Mallory points out, the legislative method of setting up public corporations can be 'slow and cumbersome, giving an opportunity for full public consideration and parliamentary debate while the legislation is under consideration'. Mallory suggests that this course of action is appropriate in setting up a major undertaking of government which is likely to be operating for a long time'. The other two methods are less formal, less public, and less cumbersome, and therefore are more flexible methods of establishing public corporations.[21]

Related to the question of the methods of setting up public mining corporations are the politics and patterns of resource policy development. There is no single process of mineral policy making in Canada. The pattern of political demands and policy responses differs among governments and provincial political systems. As Chandler and Chandler state:

> The distinctive resource bases of the provinces (and the resulting differentials in potential for resource exploitation) have made the policy pattern from province to province non-uniform. In other words, the pressures which have stimulated the state into an increasingly active policy role have not necessarily been framed within common issues or common responses because their starting points are fundamentally divergent.[22]

Despite these basic differences among the provinces in natural resource endowments, Chandler and Chandler claim we can observe at least one broad trend in provincial natural resource policy making:

> The traditional style of pork-barrel, distributive policy-making in which tight, stable government-industry clientele relationships determined policy outcomes in a closed, secret and largely ad hoc manner seems to be on the wane. One can certainly find important remnants of it today, and it is no doubt true that this patronage-based style of distributive politics has been more effectively

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21. J.R. Mallory, The Structure of Canadian Government, (Toronto: MacMillan of Canada, 1971) pp. 125-26.
22. Chandler and Chandler, Public Policy and Provincial Politics, p. 253.

eroded in some provinces than in others. Nevertheless, there clearly is a trend toward a partisan quality to natural resource policy-making.[23]

Beyond these aspects of specific decision processes there are also the importance of personalities and of specific deadlines. Deadlines, whether planned or imposed by others, may impose the need for decision in a time frame where pressures are strong; time for careful thought about what is the 'best' instrument may be in short supply. In these short-term tactical situations, personality factors - that is, the role of individual decision makers and sources of pressure - are also central.

Autonomy Versus Accountability

While the issues of autonomy and accountability may receive more thorough examination after a Crown corporation has been established, they are also key issues at the point of origin.

The Auditor General recently described the federal government's 306 Crown corporations collectively as a 'sub-Government' that is becoming less accountable to the people.[24] Such comments invariably raise the question of the relative autonomy and accountability of public corporations in Canada.

Autonomy and accountability issues arise at the point of origin because the specific type of enterprise chosen and the decision process used to create it may well be based on a calculated judgement to avoid detailed scrutiny by legislatures and partisan critics. In some instances a new task may even be given to an old existing corporation, rather than overtly changing the latter's mandate, and rather than establishing a new Crown corporation.

Once established, though, such enterprises produce tensions among various notions and devices of accountability. They must, on the one hand, be managed in a competent manner to achieve their operational goals. They must be responsible and responsive to the political environment in which they function. Traditional accountability concerns include the following:

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23. Ibid., pp. 267-68.
24. Report of the Auditor General 1982 (Ottawa: Supply and Services, 1982) chapter 1.

- controlling the creation and number of Crown corporations;
- the powers of Cabinet direction;
- the principle of compensation to subsidize social objectives;
- the appointment and role of chairperson and board of directors;
- submission of corporate plans as well as operating and capital budgets;
- the legislative scrutiny of Crown corporations by a separate parliamentary committee.

If accountability is to mean anything in either a political or managerial sense, then one must ask: accountability to whom, for what, and for how long? What rewards or sanctions apply? What criteria are used to evaluate success or failure? Such questions are not easily answered.

In addressing the question 'accountability to whom'?, it is quite clear that the concept must embrace more than just ministers and legislatures. Crown corporations also have real obligations to other governments, to employees, customers, suppliers, and other participants in the market in which they function.

Answering the question 'accountability for what'? is not merely a matter of clarifying mandates and objectives. Crown corporations must balance the several purposes of most public activities. Accountability for such diverse purposes cannot help but be affected by the inevitably limited space that the political agenda at any point in time allows for any single policy issue or area. In short, the accountability of any single public corporation is bound to be affected by the limited attention span of political life. Not all companies are equally scrutinized all of the time.

The differing time spans of accountability also impose contradictions. They highlight the politics inherent in different bases of information and analysis. Moreover, they shed light on the degree to which political accountability may occur, more through mutual anticipation of the views of others than through ex post evaluations, tied to a precise statement of objectives.

The Case Studies: A Prelude to Analysis

The provincial cases are examined in relation to the concepts and issues outlined in this chapter. It must be stressed, however, that the detailed treatment of each case study does not contain absolutely uniform sub-headings in

the organization of each chapter. Each chapter first describes the corporation in brief and then gives the historical and the policy context. The analysis section which then follows contains subsections on ideologies and political parties and on instrument choice and detailed decision processes. But the treatment of the federal-provincial, public-private, international, accountability, and 'proponent-opponent' dimensions are dealt with in various ways throughout the three chapters.

There are three reasons for this variable treatment. First, each case is different, and our first concern is to describe and examine the case as accurately as possible given the limits of space. Second, some of the issues keep reappearing, and do not need to be repeated in each case. Finally, the framework outlined in this chapter does not fully encompass the specific characteristics and dynamics of each case.

When reading the cases, one should be aware of the following cautions. One concerns the very notion of what an 'origin' is. Each case study contains instances of more than one beginning for the corporation concerned. For example, Novaco started out as a company under the Companies Act and then became a company under a separate statutory authority. NECDO was not a Crown corporation per se, but its origins are nonetheless instructive precisely because a new Crown corporation was not established. SMDC and PCS in Saskatchewan were formed in 1974 and 1975 respectively, but in many ways it was their second phase of origin immediately following their initial birth that produced the greatest controversy. For SMDC, this occurred when it was given a mandate that included compulsory joint ventures, and for PCS, the second beginning occurred when it became a vehicle for takeovers of existing firms.

Second, the cases are about events in the 1970s in three provinces that were learning and applying various accumulated lessons about resource development and its political, economic and social meanings. While particular corporations may have discrete beginnings to which dates can be attached, there is an underlying cumulative political memory that is more continuous and which forms a seamless web in the experience of all three provinces, each interacting in various ways with federal and international interests as well as with compelling private interests.

3. THE B.C. NORTH EAST COAL DEVELOPMENT OFFICE

Introduction

The North East Coal Development Office (NECDO) was established by the government of British Columbia in 1981 to be the main coordinating vehicle for the North East Coal Development project.[1] It has since been disbanded, its task completed. Although it was not a Crown corporation, its origins are of interest in this study because the decision not to create a Crown corporation in this case provides insights into how such decisions are made. The case is also related to decisions in which existing provincial Crown corporations such as B.C. Rail took on new responsibilities, and peripherally involves federal Crown corporations as well, principally the CNR and the National Harbours Board.

NECDO was a relatively small office, designed to have a finite life since its mandate was related to a specific project. Neither a Crown corporation nor a classic line branch of a government department, NEDCO was given considerable independence in order to carry out its complex coordinating role among Cabinet committees, provincial and federal government departments, agencies, and Crown corporations, as well as private-sector firms. As figure 1 shows, the chairman reported directly to D.M. Phillips, but through the Cabinet Committee on Coal, rather than directly in his capacity as Minister of Industry and Small Business.

The Chairman of NECDO was the Honourable Ron Basford, a former federal Member of Parliament and a minister in the federal government between 1968 and 1979. Basford's role included the conduct of negotiations on all agreements relating to the northeast coal development between the province, the mining companies, and other public and private agencies; the provision of specific liaison between those involved in the development and the responsible provincial ministries, through the interministerial committee of deputy ministers; and coordination of information and provision of general liaison among the various levels of government and other groups and agencies involved in the coal development.

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1. W. Malkinson and H. Wakabayashi, 'Paper No. 139: North East Coal Development Planning and Implementation', presented to the Canadian Institute of Mining and Metallurgy 84th Annual General Meeting, Quebec City, April 25-28, 1982.

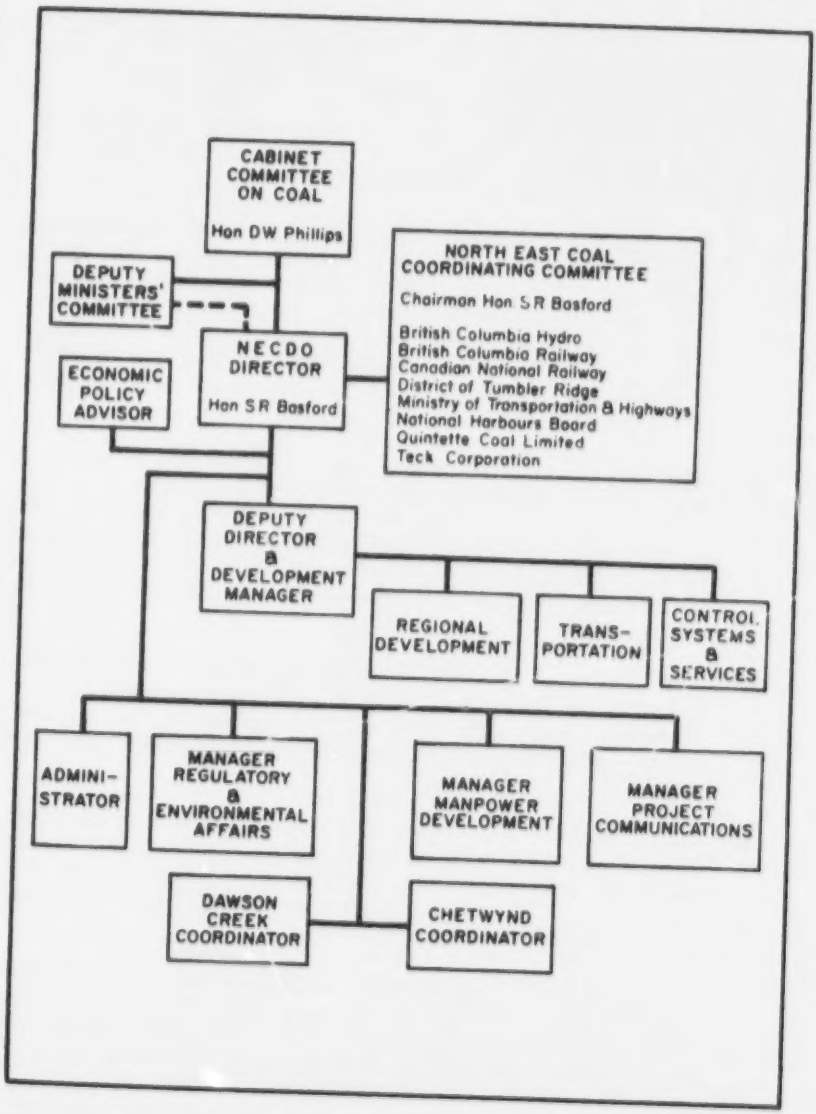

Figure 1. North East Coal Development organization structure

The most important of Basford's tasks was to conduct the negotiations between the various parties on the finanical and operating conditions of the project and on the division of responsibilities among the parties. There were twelve major components linking the legal framework which developed under Basford's direction.[2] These are illustrated in figure 2 and are explained below.

i The Sales Contract: nongovernmental agreements negotiated privately and commercially between Quintette and Teck, the main private-sector developers, and their Japanese customers. They provide for the sale by both producers of 6.5 million tonnes of metallurgical coal per year commencing in the last quarter of 1983 and continuing for fifteen years with options of renewal for another five years.

ii The Comprehensive Agreement: agreements entered into by the province and Teck and Quintette (the two private-sector coal producers). They set out the rights and duties of the parties, the expenditures to be made, the cost recovery techniques applying to the companies and the province, and the remedies of the parties.

iii The Townsite Agreement: an agreement between the Ministry of Municipal Affairs and the Commissioner of Tumbler Ridge (the new town) relating to the organization of the district and related financial arrangments.

iv The Townsite Agreement Between the District of Tumbler Ridge and each of the Coal Producers: an agreement negotiated by the District with each of the coal producers. It covers the organization and financial arrangements for the townsite.

v The Take-Up Agreements: negotiated between the District of Tumbler Ridge and the coal producers. They set out a framework for land use within the District and effectively transfer the economic risk of land development to the producing companies.

vi The Tumbler Ridge Branch Line Agreement: negotiated by MISBD and B.C. Rail to provide for the construction of the branch line from Anzac (on BCR's main line) to Tumbler Ridge.

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2. Ibid.

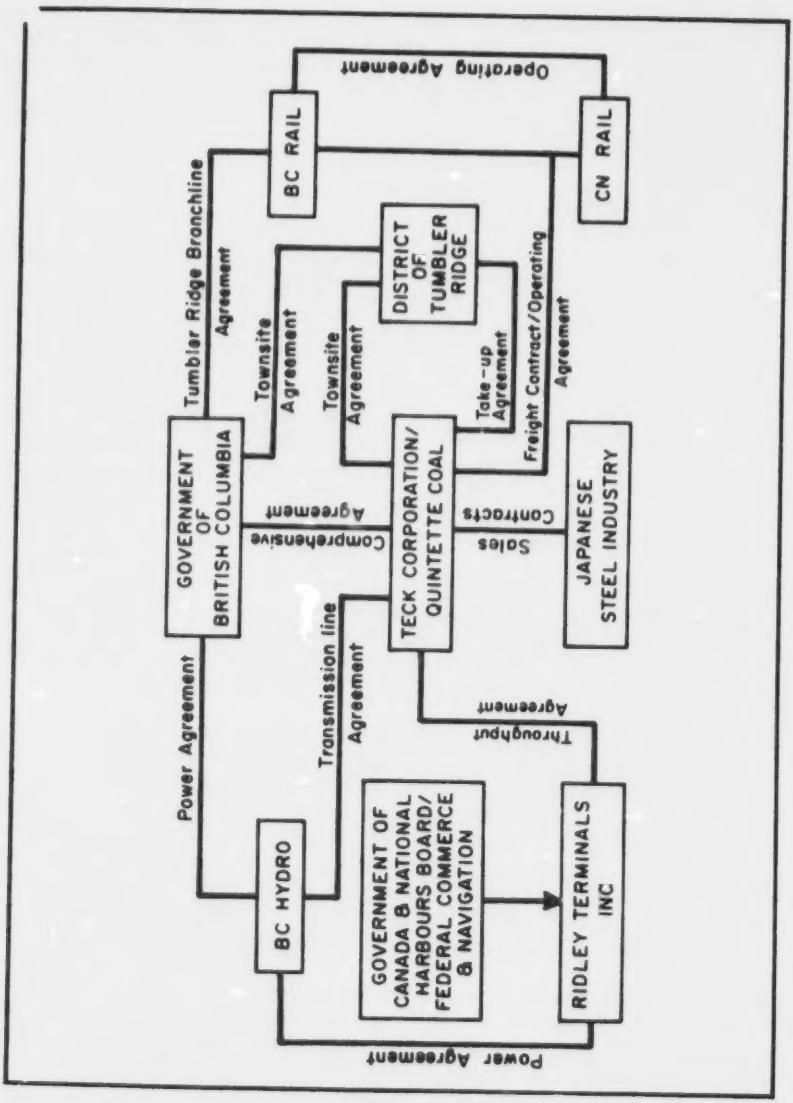

Figure 2. North East Coal Development legal framework

vii The Operating Agreement: between BCR and the CNR. It provides for operating arrangements between the two railways for the operation of the coal unit trains on the BCR line from Tumbler Ridge to Prince George and on the CNR line from Prince George to Ridley Island.

viii The Freight Contract Operating Agreement: negotiated between BCR, the CNR, and the two coal producers. It confirms a freight quote provided to the coal producers by both railways in September of 1981, and also sets out terms and conditions with regard to freight and operations for the transport of coal from each of the mines to the loading facilities on Ridley Island.

ix The Power Agreement: negotiated between MISBD and B.C. Hydro. It provides for the construction of transmission facilities from the G.M. Shrum generating station to a substation in the vicinity of Tumbler Ridge.

x The Transmission Line Agreement: an agreement between B.C. Hydro and each of the coal producers. It contains terms and conditions for construction of private transmission lines and provision of power from the Tumbler Ridge substation to the mine sites.

xi The Throughput Agreement: negotiated between Ridley Terminals Inc. (a joint venture between the NHB and Federal Commerce and Navigation, with the NHB owning 90 percent of the equity and the federal government quaranteeing all debts of the company) and each of the coal producers. The agreement sets out the terms and conditions by which coal will be unloaded, stored, and loaded aboard ships and also includes a schedule of throughput charges.

In addition, there is a series of agreements which relate to the grant of Ridley Island to the federal government, the formation of Ridley Terminals Inc., the leasing arrangement of Ridley Island to Ridley Terminals, and the supply of services to Ridley Island and Ridley Terminals.[3]

This stark listing of the NECDO tasks and linkages is indicative of the scope of the coal project and tells us something of NECDO role. But it is only a bare glimpse

3. Ibid., p. 21.

into its origins; the development must now be put into its historical setting.

The Historical Context

In the late 1960s, Brameda Resources began a coal exploration program in the Bullmoose and Sukunka areas of the Peace River region of British Columbia's northeast.[4] In 1970 Brameda optioned the Bullmoose area to Teck Corporation. By 1979 Teck had earned, through exploration and development work on the surface mineable coal, a 50-percent interest in the property. At that time Brameda Resources merged with Teck, making Teck the sole owner.

In 1972 the newly elected NDP government of Premier David Barrett began negotiations aimed at taking over Brameda Resource's 40-percent interest in the Sukunka property, subject to various conditions. The province offered to put up $7 million, and by March of 1973 agreement in principle had been reached for Brameda Resources to sell 40 percent of its equity in the project to the provincially-owned B.C. Rail.[5] The following year, an agreement was arrived at between Sukunka's owners and B.C. Rail to construct a spurline from Chetwynd to the Sukunka property.[6] Agreement in principle was also arrived at on the vital matter of freight rates. Before the agreements were actually signed, however, the B.C. government decided not to purchase the 40-percent interest.[7] The property has not yet been developed.

Denison Mines Ltd. had also begun an exploration program in 1969 in the area south of the Sukunka and Bullmoose properties. By 1971 the program had yielded promising results, and Denison went into partnership with Alco Standard, Mitsui Mining, and Tokyo Boeki to form Quintette Coal Ltd. Between 1971 and 1982 this partnership expanded to include a number of other companies and some equity redistribution took place. As of 30 June 1982, 50 percent of the equity in Quintette was held by Denison,

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4. Ibid., pp. 4-5.
5. 'Sukunka Coal Deal Seems Assured: Despite Opposition in Legislature and From Pressure Groups', Journal of Commerce, Monday March 19, 1973.
6. Malkinson and Wakabayshi, 'Paper No. 139: North East Coal Development Planning and Implementation', p. 5.
7. Birkett, 'Brascan Limited: A Corporate Background Report', p. 24.

and the rest was held by several Japanese steel mills and a French government agency (Charbonnages de France).[8] The current equity distribution gives Denison six directors on Quintette's board of directors, the Japanese five, and the French company, one.

Between 1975 and 1976 the mining companies involved in these developments began to present their proposals to the new Social Credit government. For example, B.P. Canada proposed development of its licensed areas on the Sukunka property and, in addition, the development of an underground mine on the adjoining Bullmoose property. The production figure suggested by B.P. was 3 million tonnes of annual production.[9] Quintette also put forward a proposal which was based on a letter of intent the company had received from Japanese buyers for the purchase of 5 million tonnes of annual production.

Between 1977 and 1978, market conditions for coking coal softened, and the mining companies were forced to postpone their production plans. However, by the spring of 1980 the Japanese steel industry was again indicating its willingness to enter into long-term contracts for B.C. coking coal. On 26 January 1981, it was announced that agreements in principle had been reached between Japanese steel mills and two of the developers, Teck and Quintette.[10]

The Public Policy Context Before 1972

Changes in the government of B.C. over the 1950s and 1960s had led to strong swings in ideology and policies related to resource development and the provincial role in resource development. For many years prior to 1972, the Social Credit party had been in power in the province. The idea that the development of natural resources was a privilege rather than a right had long been present in the resource policies of the Social Credit party. In 1952 the

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8. 'Quintet Arranges Coal Deal Funds', Sun, Vancouver, 30 June 1982, p. D5.
9. Malkinson and Wakabayashi, 'Paper No. 139: North East Coal Development and Planning and Implementation', p. 5.
10. See 'Japanese firms confirm 94 million ton coal Deal', Sun, Vancouver, 26 January 1981; and 'British Columbia to take bigger bite of northeast coal', Province, Vancouver, 27 January 1981.

party had campaigned against the monopolies which were identified as the large resource companies in the fishing, forest, hydro, and mining sectors. In its first years in office, the Social Credit government sought to dilute the power of these companies through a variety of techniques, including a campaign to attract foreign investment capital and support for resource enterpreneurs outside of the establishment elites.[11]

For example, 1957 amendments to the Mineral Act provided for a system of mineral leasing to replace the previous system of permanent alienation of mineral deposits. The aim of the government was to prevent private interests from gaining control over deposits without developing them.[12] But development would also involve the need for the government to help solve the most difficult problems facing the resource industries: problems of access, transportation, communication, supply, and servicing. Here was a way for the Social Credit government to serve the interests of all and preserve the principle of free enterprise with what would be perceived as only a minor qualification. The needs of the resource industries would be seen to justify the provision of low-cost power, rail and highway transportation, and improved port facilities at Vancouver. The needs of the small entrepreneurs, who were the core of Social Credit support, would also be seen to, as they helped to provide and service the various developments and facilities. The choice of instruments varied, but B.C. Hydro and Power Authority and B.C. Rail were prominent among them.

While B.C. prospered in the 1960s, other policy issues inevitably accompanied economic development. In B.C. in particular, environmental issues were important in the late 1960s and early 1970s. Despite the government's best efforts to disengage itself from the mining industry's poor record on environmental issues, that record had become a distinct liability for the Social Credit government by 1972, when it was defeated by the New Democratic Party (NDP).

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11. Edwin R. Black, 'British Columbia: the Politics of Exploitation', in R. Shearer (ed.), Exploiting Our Economic Potential: Public Policy and the B.C. Economy, (Toronto: Holt, Rinehart and Winston, 1968), pp. 28-30. For a more recent analysis, see J. Terence Morley et al., The Reins of Power: Governing British Columbia (Vancouver: Douglas and McIntyre, 1983).
12. Raymond Payne, 'Corporate Power and Economic Policy Making in British Columbia - The Case of the Mining Industry', M.A. thesis, Simon Fraser University, Vancouver, 1979, p. 92.

The Public Policy Context After 1972

Resource Policy Issues

When the NDP came into power in 1972, they began devising legislation to realize their goals of redistribution of income, diversification of the economy, and a new regulatory structure for economic development. The latter two components of this program were implemented within the mining sector through amendments to the Mineral Act (Bill 44), the Coal Mines Regulation Act (Bill 125), and the Coal Act (Bill 91), and through the introduction of a new Mineral Royalties Act (Bill 31).

In the spring of 1973, Bill 44, An Act to Amend the Mineral Act, was the first major piece of mining legislation introduced by the NDP. Amendments included provision for government participation in mining operations, either through loans to producers, or through acquisition of an equity position in the properties or operations of lease or mineral claim holders. The later provision in particular drew the opposition's fire.[13]

During 1974 the revised Coal Act was introduced, providing a second statutory basis for direct provincial government participation in the mining sector. Section 10 of the act stated that the Lieutenant-Governor in Council, if he considered it to be in the public interest, could authorize and direct:

> (a) the Minister of Finance to make a loan to a licensee or leasee; or
> (b) the Minister, on behalf of the Crown, to acquire an interest or equity in the property or operations of a licensee or leasee, and may authorize the Minister, on behalf of the Crown, to enter into an agreement with a licensee or leasee respecting any matter the Lieutenant-Governor in Council considers necessary for those purposes.[14]

The authority to acquire interest and equity in mining property and operations, as provided under the Mineral Act and the Coal Act, was never exercised by the NDP government. As we have already seen, however, during 1973 the NDP did enter into negotiations regarding acquisition of an

13. See for example D.M. Phillips, 2nd Session, 30th Parliament, Debates 10 April 1973.
14. Coal Act, Section 10, 1974.

equity position in the Sukunka coal property. If these negotiations had been successful, then section 10 of the Coal Act would have provided the statutory basis for such government participation.

The greatest opposition to the NDP legislation was inspired by the new taxation measures. The mining industry in B.C. combined forces with the Social Credit opposition to argue that the effect of the NDP's mineral tax reforms on the industry was disastrous. In the 1975 election the new leader of the Social Credit party, Bill Bennett, was able to state:

> The resource-based industries of forestry and mining ... are suffering because of the policies of the Barrett government. The single most damaging example ... was the passage of the Mineral Royalties Act ... in B.C. today, there is a virtual freeze on new mine development. Staking of claims has dropped by 75 percent in the past year, and $300 million of new investment planned for our province has been cancelled. This not only means that mining jobs are being lost ... but that hundreds of new jobs which would have been created in the next few years will simply never materialize.[15]

The Social Credit party won the 1975 election and the new government took immediate steps to dismantle the NDP's mineral taxation system. In June of 1976 the Mineral Royalties Act was repealed and replaced with the Mineral Resource Tax Act, leaving Crown royalties only for coal, iron, natural gas, and crude oil. According to a provincial Department of Mines discussion paper, the rationale behind retaining these 'energy' royalties was that, since these minerals generate more economic rent, the operators may have a greater ability to pay. Moreover, these minerals were strategic to the province and therefore must generate positive revenues to the Crown.[16] Under the new statute,

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15. 'Bill Bennett Talks About Job Opportunities and Natural Resources', British Columbia Social Credit Party, 1975.

16. Frank C. Basham and D.R. Ramage, Mineral Taxation in B.C, Paper 1979-5, Economics and Planning Division, Ministry of Energy, Mines and Petroleum Resources (Victoria: Ministry of Economics, 1979), p. 13.

each mine operator pays a tax of 17.5 percent of the income derived from the mine, a provision which introduced the concept of income-based mine-specific taxation. This concept was related to the policy of the government that the resource tax should be used as an instrument for resource management on a property-by-property basis.

In June 1978 the NDP's coal royalty regime was dismantled with passage of the Coal Amendment Act, which replaced the fixed royalty with a percentage-of-value royalty. The rationale for the new royalty formula was that the developer of a coal mine would be given a firm basis on which to calculate Crown royalties. In addition, changing market conditions for coal would be recognized, as the royalty fluctuated with price.

With the passage of these two bills, the Social Credit government had moved to narrow the extent of ministerial discretion in the mineral sector and, equally significantly, to delete the authority for direct government participation in the province's mining industry. During second reading of the Coal Amendment Act, the Minister of Energy, Mines and Petroleum Resources, James Chabot, was asked to describe the philosophy behind the decision to remove Section 10 from the Coal Act. Chabot stated:

> It's not government policy to get involved in taking an equity position in coal mining in B.C., because it's contrary to our political philosophy. ...I would hope that if there were investment opportunities in coal, the B.C. Resources Investment Corporation might play a part, but not the Government of British Columbia. We're not interested in buying into the coal reserves of B.C. or gambling with the taxpayers' money, as we've seen happen here in the province before, with tremendous losses incurred.[17]

In 1976, as prospects for a massive development in the northeast coalfields were progressing, the government began to stress advance planning for the potential project. For example, in March of 1976 the Environment and Land Use Committee of B.C. Cabinet published 'Guidelines for Coal Development'. The guidelines stated:

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17. James Chabot, Debates, 3rd Session, 31st Parliament, (Victoria, 22 June 1978).

> Major resource developments such as coal mining ... will change environmental, social and economic conditions in the region of development. Careful planning of large-scale coal developments is therefore necessary to ensure that a rational approach to managing land use, environmental and community impacts is undertaken prior to final decisions on coal and related developments being made.[18]

The guidelines described a four-part project assessment process and specified the types of information required by the government for the review of permit and licence applications. They essentially placed the government in a passive role, with the private sector being required to initiate proceedings at the various stages of the assessment and collect the necessary data and information. Although coal mining companies were not absolved from any other government regulations as a result of their conforming to the guidelines, the guidelines were formulated with the intent of providing industry with a single window to government regulatory agencies.[19] With regard to the northeast coal development, the guidelines were fully operational, although mine development and construction were allowed to proceed in the northeast coal fields while the Stage II approvals were being processed.[20]

Also in 1976, the Ministry of Economic Development (which became the Ministry of Industry and Small Business Development (MISBD) in 1979) placed before the provincial Cabinet a policy paper proposing an extensive evaluation of the viability of the northeast development. (Its minister, Don Phillips, represented a constituency in the northeast of British Columbia, a political fact of no small importance. Phillips was to play a crucial role throughout the evolution of the northeast coal project.) The response of the government was the establishment of a Cabinet Committee on Coal Development:

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18. 'Guidelines for Coal Development' (Victoria: Environment and Land Use Committee, March 1976), p. 3.
19. Henry R. Miron, 'An Inventory and Analysis of Regulations Influencing the Coal Mining Industry of British Columbia', Vancouver, Simon Fraser University M.B.A. thesis, April 1982, p. 33.
20. Ibid.

> (The) Cabinet Committee on Coal Development was established to investigate coal policy and development issues in B.C. With respect to North East coal, five component subcommittees (Coal Resource, Environment and Land Use, Transportation, Manpower, Townsite/Community Development) were struck to develop and carry out a study program and the Ministry of Economic Development was made responsible for over-all coordination. The cooperation of the federal DREE was extended to these studies through a Subsidiary Agreement to Evaluate North East Coal and Related Developments, which was signed in January 1977.[21]

In addition, a subcommittee system, under the Cabinet Committee on Coal Development, was superimposed on the guidelines structure, and assigned the task of planning for the B.C. government's role in the potential development. But whereas the Guidelines placed the government in a reactive position, the planning mandate of the subcommittee necessarily put the government in a more proactive role. The subcommittee system also added importance to the position of Phillips, as coordinator. This organizational decision reflected the government's belief that coal development policy in B.C. could no longer be formulated and implemented by a single line department and hence set the stage for the need for some kind of interagency instrument such as NECDO was eventually to be.

The subcommittee's initial study program was largely completed by March of 1977, and thereafter the various studies were updated and enlarged as new questions arose and more detailed analysis was required. The initial study program of 1976-77 accomplished two things: it identified the crucial factors upon which the northeast development would depend, and it provided the information background for the British Columbia Coal Policy, published in June 1977. The key factors identified were market conditions for coking coal, labour supply, and application of hydraulic and long haul underground mining techniques; they were considered critical in assessing the economic viability of the northeast development.[22]

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21. Ibid., p. 6.
22. W. Malkinson and H. Wakabayashi, 'Paper No. 139: North East Coal Development Planning and Implementation', p. 11.

The study program underlined the fact that the government would have to reach agreement with the coal companies with regard to financing the major support facilities.[23] These included:

- a new community built primarily to house the employees of the area's coal mines and their families;
- a paved highway to service the mines and the new community;
- a coal terminal facility at Ridley Island at Prince Rupert;
- rail services from the mines to the Port of Prince Rupert (the major cost item);
- the power transmission lines to the mines and the new community.

The coal policy publication of 1977 opens with a statement of the relationship of B.C. coal development policies to the overall development objectives of the province, which were given as:

- energy self-sufficiency;
- diversification of the province's economic base through further processing of natural resources and the development of other sectors of the economy;
- the encouragement of balanced regional development;
- the responsible management of environmental impact of resource development activities;
- the selective creation of new employment opportunities;
- the reduction of regional unemployment variations;
- the most effective use of natural resources for B.C. and Canada.

The policy goes on to state that B.C. reserves the right to meet its coal needs first, followed by requirements of other Canadian provinces and finally, the world; that B.C. expertise and resources in coal development will be stressed and encouraged; that the establishment of 'company towns' will be avoided where possible; and that the government intended to establish market research capability to coordinate the coal development and marketing plans and objectives of both the public and the private sector.

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23. The process of financing these infrastructure facilities and the accompanying federal/provincial tensions were to engage the energies of the various actors for the four years following 1977. The most intense period of these negotiations was 1980 to 1981, as will be seen in the following section.

This last aspect of the B.C. coal policy was the cause of some concern to the coal industry. As the editors of the Canadian Coal Industry Report noted: 'Some alarm was aroused in the coal industry by a statement that the government would "establish market research capability"'. In practice, however, this function was confined to the appointment of a coal coordinator who looked at overall plans. The private companies have largely been left alone to negotiate with existing and potential customers in overseas markets.[24]

Policies Related to Infrastructure Issues

While it is tempting to place the B.C. northeast coal project only in its 'resource policy' context, it becomes clear that a number of other policy issues lay behind the disagreements between Ottawa and Victoria regarding financing of the infrastructure for the project, and played an important part in the creation of NECDO as well. The two major and long-standing areas of conflict centred around federal concerns about ports policy and the B.C. government's concerns about its provincially-owned B.C. Rail.

The federal interest in the prospects of the northeast coalfields initially was manifest through its backing of Prince Rupert as the site for port expansion for the export of bulk commodities. The reasons for this support date back many years. The City of Prince Rupert, on B.C.'s northeast coast, had throughout its history lobbied both federal and provincial governments for expansion of its port facilities. These had been for the most part a series of ad hoc efforts, however, until 1966 when the city appointed a Port Development Commission to coordinate promotion efforts. By 1971 an agreement in principle had been reached between the federal and provincial governments for the transfer of certain provincial lands to the federal government so that the federally-owned NHB could develop a port in the national interest. Finally, on 23 March 1972, Prince Rupert was declared a NHB Port.

But while both the federal and provincial governments had committed themselves to development of a general purpose terminal at Prince Rupert, they had not at this time committed themselves to specifying the port as the site for

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24. Robinson, Dames, and Moore, eds. Canadian Coal Industry Report 1980, (Toronto: Northern Miner Press Ltd., 1980), p. 64.

the export of northeast coal. The provincial government in particular was supportive of a proposal by B.C. Rail to ship the coal, not through the port of Prince Rupert, but through a port on B.C.'s south coast.

The federal interest in developing the Port of Prince Rupert must be understood within the wider context of the discussion within Transport Canada which preceded the 1977 announcement of a new Canadian Ports Policy. In the early 1970s there was a growing realization by Transport Canada officials that increasing bulk commodity exports from western Canada would require better port facilities, a specialization of those facilities, and a general reorganization and rationalization of port administration.[25] A related federal concern was the fear that the provinces were intruding into a federal area and that the federal position needed to be shored up. A ministerial document of the period highlights these federal fears:

> In recent years, the federal government has allowed initiatives in port development to pass to the provinces, which admit to the federal jurisdiction but are enlarging their transport departments to press ahead with action because of their interests in regional and resource development and land use. For example B.C. is considering funding of its own ports.[26]

The disagreement between the federal and provincial governments over the location of the coal port came out in the open in the summer of 1973. As Kavic and Nixon have written:

> Barrett and the three other western Premiers pressed the federal government at a joint conference in the summer of 1973 to abolish discrimination in freight rates ... The question of port facilities for the Peace River coal exports became the subject of a heated argument between Environment Minister Jack Davis ... who wanted the federal Canadian National Railway (CNR) terminal

25. A New Ports Policy for Canada, Transport Canada (Ottawa: Supply and Services, 1977).
26. E.J. Dosman, 'Canadian Ports Policy: The Canada Ports Act (Bill C-6) Background and Prospects', in Canadian Transport Commission Research Seminar Series 1978 (Ottawa: Supply and Services, 1978), p. 8.

at Prince Rupert to be used, and Barrett, who insisted that it must be the provincial BCR facility at Squamish.[27]

The hesitation of the NDP government to commit themselves to the Port of Prince Rupert as the site for a coal terminal was not because that government was somehow 'insensitive' to the northern regions of the province. Indeed, that government had come to power in 1972 partly on a promise for the 'orderly and planned' development of the north. Rather, the hesitation must be understood with specific reference to the discouraging situation that B.C. Rail found itself in during this time.

B.C. Rail had come under provincial ownership in 1918. Its period of most rapid expansion, however, was during the 1960s. Under Social Credit Premier W.A.C. Bennett, the railway embarked on a major northern expansion plan, including the construction of a rail line to Fort Nelson and the beginning of a line to Dease Lake. Bennett's drive to expand B.C. Rail was fueled by his belief that the railway would induce substantial resource investment in the province's interior and northern areas.[28] Unfortunately, the railway did not bring about large-scale resource development in the interior of the province. Most of the freight carried by the railway was forest products and, like the industry it served, BCR became subject to cyclical fluctuations in revenue. By the first half of the 1970s BCR was virtually bankrupt. The railway was kept afloat only by continuing infusions of equity capital provided by the taxpayers of the province and by borrowings from the public pension funds.

The NDP government, despite its best efforts, could not ignore the railway's plight and, in particular, it could not ignore the mounting costs associated with the still unfinished construction of the Dease Lake extension. For the president of BCR at that time, Premier David Barrett, the opportunity to ship northeast coal along BCR lines all the way to the south coast was too good to miss. The railway's revenue flows would be stabilized and, moreover, northern transportation in the province would remain under provincial control.

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27. L.J. Kavic and G.B. Nixon, The 1200 Days, A Shattered Dream: Dave Barrett and the NDP in B.C. 1972-1974 (Coquitlam: Kaen Publishers, 1978), p. 37.
28. Marsha Gordon, Government in Business (Montreal: C.D. Howe Institute, 1981), pp. 116-122.

Upon being elected to office in 1975, Bill Bennett appointed a Royal Commission to look into the affairs of BCR. But even before the Royal Commission issued its report, Bennett acted to set the company's affairs in 'businesslike order'. One of the actions taken by Bennett was to sign, in 1977, a federal-provincial transportation agreement. Among other things, the agreement provided for federal loans to defray the costs of the Dease Lake extension. In return, the province gave running rights on the Dease Lake line, if and when it was completed, to the CNR. Furthermore, the province offered assurances to the federal government that mineral traffic generated on the line would be routed on the CNR's line from Prince George to Prince Rupert to Ridley Island, rather than over BCR's main line to the lower mainland ports.[29]

The 1977 Transportation Agreement was also a formal acknowledgement by the province that the federal government would play a central role in the development of a northern transportation system. With respect to northeast coal, this federal role would eventually come to embrace the provision of port facilities at Ridley Island and the upgrading of CNR rail facilities from Prince George to Prince Rupert.

Until 1980 the provincial government had been concerned with evaluating the viability of the northeast development and assessing its probable impact on the province. By the fall of 1980, however, it became evident that transportation and other infrastructure facilities would have to be put in place very quickly, and consequently they became a focus of attention both within the province and in B.C./federal negotiations. In preparation for the implementation phase to come, the MISBD hired a firm of consulting engineers and economists, Dalcor Consultants of Vancouver, to prepare alternatives for project management and control. Of the following alternatives presented, Dalcor recommended the last one:

- the use of key government staff involved in the planning phase;
- the creation of a special project group within MISBD or another ministry or agency of government;
- the establishment of a new North East Resources Development Corporation (NERDCO) to undertake the new rail, power and townsite investments and to coordinate the road, rail upgrading, port, and other developments;

29. Report of the Royal Commission on the British Columbia Railway, vol. 1, Victoria, 1978, pp. 16-18.

- and finally, the creation of a special project group reporting directly to a Cabinet committee charged with responsiblity for project implementation.

MISBD examined these alternatives and by January 1981 had provided the B.C. Cabinet with a series of recommendations. The MISBD recommendations to which the Cabinet gave their approval included the re-establishment of the Cabinet Committee on Coal Development (which had been discontinued in the meantime) and a related Deputy Ministers' Committee on Coal Development, and the establishment of a new project coordination office.[30] Japan's designated coordinator of coking coal imports for B.C. was Nippon Kikan, and in late April of 1980 this company headed a mission to discuss financial and infrastructure aspects of the development with provincial government officials, including Ron Basford and Don Phillips. On 29 April 1980, Phillips told the press that, as a result of this meeting with the Japanese, a deal could be as close as months away. He added that 'it boils down to financing transportation out of the coalfields'.[31]

During the first week of May 1980 the Japanese Prime Minister, Masayoshi Ohira, paid a state visit to Canada with the purpose, among other things, of discussing the northeast coal development with Prime Minister Trudeau and his Cabinet, and Premier Bill Bennett and his Cabinet. The federal Minister of Economic Development, Senator Bud Olson, apparently thought this an opportune moment to tell the press that he expected B.C. to pay the entire cost of the rail link from the coal fields to the CNR main line.[32] After meeting the federal Cabinet in Ottawa, Prime Minister Ohira travelled back to B.C. to participate in a joint meeting of Japanese trade officials and the B.C. and federal Cabinets. After this tripartite meeting Premier Bennett announced that B.C. would 'go it alone' if federal money was not forthcoming for transportation infrastructure.[33] The following day Premier Bennett and Prime Minister Trudeau held further discussions. According to the Vancouver Province, Trudeau proposed that any B.C.-Japan coal pact

30. Ibid., pp. 45-46.
31. 'Phillips says Japanese coal deal hinges on rail lines', Sun, Vancouver, 29 April 1980.
32. 'Coal Deal with Japan Could Firm up Today', Province, Vancouver, 5 May 1980.
33. 'Northeast coal development still up in air', Sun, Vancouver, 21 June 1980.

should be part of a negotiated package. In return for federal money, Trudeau apparently asked that B.C. renounce its demand for compensation for construction of the Alaska Highway Gas Pipeline across the northeast corner of the province.[34]

The negotiations between the federal and provincial governments thus appeared to be at an impasse when, on 16 May 1980, Don Phillips held a hurried meeting with Senators Bud Olson and Ray Perrault in Calgary to discuss 'all aspects' of the development.[35] Olson and Perrault returned to Ottawa where they subsequently announced, on May 25, that Ottawa had dropped its demand that federal funding for the coal development should be tied to provincial approval of the gas pipeline. It also emerged at this time that the Japanese buyers had told the Canadian mining companies and the federal and provincial governments that they wanted commitments on security of supply and a firm price by 15 June 1980. It was disclosed by Perrault, and confirmed by Don Phillips, that this was, in fact, an extension of an earlier deadline of the end of May.[36]

By 13 June 1980, intensive negotiations between the two levels of government had reached a stage where agreement seemed imminent. But then, in what Senator Ray Perralt called a delaying move, Phillips announced a special B.C. Cabinet session to consider the latest federal position. At the conclusion of this meeting, Premier Bennett announced that B.C. would be funding rail access to the coalfields without federal help.[37] As the Japanese deadline came and went, however, it became clear that federal and provincial governments were still far apart on a great number of other issues connected with the provision of infrastructure facilities.

Then, on 3 July 1980, the federal government announced its contribution to the infrastructure requirements: the National Habours Board (NHB) would pay the initial capital costs of the Ridley Island coal terminal; the Department of Regional Economic Expansion (DREE) would pay

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34. 'PM Ties Coal Deal to Northern Pipeline', Province, Vancouver, 6 May 1980.
35. 'Phillips meets feds with new coal offers', Sun, Vancouver, 17 May 1980.
36. 'Japan issues coal deadline', Province, Vancouver, 25 May 1980.
37. See 'On-off British Columbia coal deal put on hold by Victoria', Sun, Vancouver, 13 June 1980; and Allen Garr, 'Going it alone on coal could be very expensive', Province, Vancouver, 17 June 1980.

50 percent of the cost of the access road to Ridley Island; and the CNR would spend $72 million to upgrade its main line between Prince Rupert and Prince George. B.C. Rail, following complicated negotiations and financial maneuvers, took on financial responsibility for the major portion of the provincial government's infrastructure expenditures for the northeast development, i.e. the rail link from Prince George to Tumbler Ridge. Thus the major infrastructure problems were resolved and the way was opened to a new round of negotiations between the interested parties on the details of how the costs of the project would be recovered.

Analysis of the Origins of NECDO

Ideologies and Political Parties

British Columbia is usually considered to have a particularly polarized party system, where the socialist-capitalist debate flourishes, often with rhetorical splendor. There is some evidence of this in the above presentation of the NECDO historical and policy background. At the same time, both the New Democratic and the Social Credit parties have established Crown corporations when in power, and hence neither appears to have an absolute aversion to the practice. Neither party questioned the desirability of natural resources development in B.C. Both parties also saw the need for diversification of the provincial economy away from its reliance on primary resource production. Both parties saw the need to minimize the various social costs associated with resource exploitation as those costs became apparent over time. Where the parties differed was on the issue of how the benefits of economic development could best be distributed.

Our review of the policy context in B.C. shows that the Social Credit government had more of a preference for the marketplace as the forum for the resolution of mineral resource management issues. The NDP, during its term in office, clearly expressed doubts as to the efficency of the marketplace. The NDP's minerals legislation said in effect that the market was failing to provide an adequate return to the community for the use of the resources; that the market was not protecting the population from the costs of economic development; that the market was not providing a mechanism for an equitable distribution of income; furthermore, it made it clear that the government was willing to provide such a mechanism through its direct participation in the mining industry.

While ideology has influenced instrument choice in the B.C. mineral sector, the role of more particular political ideas are also important. For example, the philosophy of Social Credit accorded priority to the idea of 'reward for risk'. This idea was central to the Social Credit party's opposition to the NDP's mineral legislation, which they regarded as increasing industry's risk while taking away justifiable reward. On the other hand, the NDP accorded priority to the idea of 'economic rent' which the party spoke of in terms of 'the people's return on their resources'. The recourse to new taxation and regulatory instruments by the NDP government in the mineral sector was a product, not only of ideology, but also of the priority accorded to the collection of rents.

Our review of provincial mining policies also indicated the importance of the role of political imperatives: in short, the lessons learned from the drive towards economic development. Particularly during the 1950s and 1960s, the Social Credit found that their ideological preference for the marketplace had to be modified if the form and rate of economic development desired for political reasons was to be achieved. The principles of free enterprise could be, and were, qualified in cases where free enterprise was 'unwilling or unable to provide a necessary public service'.

The politics of economic development also served to modify the ideological preferences of the NDP during their term in office. Payne has accurately observed that:

> The NDP, like its Social Credit predecessor, had a great deal of its reputation tied up with continued economic prosperity. While the Social Credit party's lengthy term in office was due in large part to the continuation of a seemingly endless economic boom, the appeal of the NDP was based on its ability to preside over this prosperity more effectively and to increase its benefits to the average citizen. During the first half of 1975, the need to consolidate its hold on office and prepare for the rapidly approaching election replaced the bold reforms of 1973 and 1974.[38]

38. Raymond W. Payne, 'Corporate Power, Interest Groups and the Development of Mining Policy in British Columbia, 1972-77', B.C. Studies, no. 54, Summer 1982, pp. 22-23.

Faced by the need to consolidate its deteriorating political position in the province, the NDP chose not to use the authority provided in the Mineral Act for participation in the mineral sector, and moved with exceeding caution with respect to the participation authority provided in the Coal Act.

It is also notable that neither of these acts provided the authority for nationalization of the mining industry. Early in their term of office, the NDP had rejected a direct attack on capitalist institutions. The most coercive of instruments - nationalization - was rejected in favour of the less coercive instruments of taxation and regulation. And while the means for equity or interest participation in the coal industry was created by the NDP government, it was not utilized.

Instrument Choice and the Decision Process

The establishment of NECDO in 1981 was preceeded by a decade during which the public and private sectors worked to determine the political, social, economic, and financial feasibility and implications of the project. For the private sector, this project assessment process centred on the interrelated questions of corporate organization, markets, and financing. For the public sector, questions of public investment, impact on the provincial economy, and coal policy requirements were raised by the assessment process. For both sectors, the process involved defining their respective interests in the project and then finding a mechanism to coordinate and reconcile those interests. As one moves closer to the actual decision to create NECDO, the forces at work, not surprisingly, become more particular and are tied to personalities, to specific events, strategies and tactics, and to deadlines that presented themselves, often in unplanned ways. Nonetheless, the project decision and therefore indirectly NECDO itself was also a product of an effort to make the decision process for such projects more systematic and 'planned'.

In conclusion, it is appropriate to note that, in addition to the ideological, policy, and evolutionary pressures described above that led to the choice of NECDO as a policy instrument, there were a number of shorter-term pressure involved. These included:

- concern about balanced budgets and about accountability;
- the proliferation of Crown corporations in other fields;

- the federal concern for visibility of federal programs in the provinces;
- the need to resolve conflicts with the federal government arising out of differing policy goals, such as for ports and transporation;
- the pressures of time.

As the economy faltered, the Social Credit government's concern about balanced budgets, or at least the political appearance of balanced budgets, entered into the political decision-making process. Initially, British Columbia Resources Investment Corporation (BCRIC), a former B.C. Crown corporation (now privatized), was considered as a vehicle to get the northeast expenses 'off the books' of the government. When BCRIC declined, NERDCO, a possible new Crown enterprise, was considered, as noted above. Eventually, however, it was determined that B.C. Rail (rather than a new Crown corporation, for example,) would become the agent that would keep the B.C. government's books cleaner and trimmer by assuming the major infrastructure cost, the rail link to Tumbler Ridge. Thus in this decision the politics of 'accounting' became an important factor.

Tied to this was the question of accountability. The public perception of NECDO as an independent agency was important for the B.C. government, given the number and identity of the various actors and agencies already involved in the project, whose interests would have to be reconciled during the negotiation of the legal framework. Although the Office was independent of regular line departments and agencies, it should be noted that it reported directly to the MISBD. This link preserved the appearance of accountability, and MISBD was placed in the position of coordinating the coordinators.

At the time of the decision to establish NECDO, the Social Credit government had good reason to be concerned about the proliferation of Crown corporations in the province. During 1980 it had established two new ones: the Transpo 86 Corporation, and the B.C. Place Corporation. While these two corporations had no connection with the northeast development, their very existence had raised criticism within the right wing of the Social Credit party and within the media. The involvement of B.C. Rail, B.C. Hydro, and the B.C. Development Corporation, as well as three federal Crown corporations (NHB, CNR, and Canada Mortgage and Housing Corporation) in the project gave rise to a situation where the creation of yet another Crown corporation might have been a political liability for the Social Credit government at that point in time.

A traditional Crown corporation for project management and control would have been, almost by definition, a highly visible presence in the project. If the development had been purely a provincial project, then the visibility of such a corporation would not necessarily have been a major drawback. However, federal jurisdiction over the port at Prince Rupert, and federal participation through the CNR, created a need for an organization which would contribute to cooperation rather than conflict with the federal government. The Trudeau government was also especially concerned that the federal presence and federal contributions to regional development were being overshadowed by provincial governments engaged in province-building activities. The design of NECDO should, in this respect, be regarded in part as a concession to the federal government by the province of B.C. The low political profile and coordinating nature of the office, together with the appointment of a former federal cabinet minister, Ron Basford, as its director would, it was hoped, reduce the historical tensions between the two governments over the development. Basford himself insisted on an independent office, knowing the delicate negotiations that lay ahead.

Finally, a key consideration was that NECDO could be established quickly. With the coal companies nearing final agreement with their Japanese customers, speed had become an important factor in considering organizational design. The Office had a small staff which was assembled at short notice during the first months of 1981; a Crown corporation would likely have taken much longer to put together. The question of speed is also related to the legislative process involved in establishing a Crown corporation, as opposed to NECDO. The office was set up through an order-in-council, whereas a Crown corporation would have required a special act of the B.C. Legislature. The use of an order-in-council to establish NECDO therefore saved the government valuable legislative time, and in addition avoided the possibility of embarrassing questions from the opposition.

4. THE SASKATCHEWAN MINING DEVELOPMENT CORPORATION AND THE POTASH CORPORATION OF SASKATCHEWAN

This chapter deals with the origins of two Crown corporations: The Saskatchewan Mining Development Corporation (SMDC), established in 1974; and the Potash Corporation of Saskatchewan (PCS) established in 1975. Both were created by the New Democratic government headed by Premier Allan Blakeney. Of the two, we give somewhat more emphasis to SMDC, since Molot and Laux have examined the PCS case and their findings accordingly are readily available in the published literature.[1]

SMDC is a provincially-owned Crown corporation, carrying out exploration for uranium, base, precious and industrial minerals, either on its own or by participation in joint ventures. The corporation initially invited private companies planning the development of prospects to approach them for joint ventures. However, in 1975 companies were required rather than invited to approach SMDC for joint ventures at the development stage, because the province wanted a larger share in the rapidly growing mineral prospects. All companies engaging in mineral exploration programs in Saskatchewan that exceeded $10,000 per year were required to offer up to 50 percent of their venture to the Crown, with SMDC designated as the Crown's agent.

SMDC is empowered to search for and develop all minerals in Saskatchewan (except sodium sulphate, which is the mandate of Saskatchewan Minerals, another provincial Crown corporation). The initial activities of SMDC were to be directed primarily to mineral exploration in northern Saskatchewan through direct exploration and joint ventures. Certain Crown reserves held by the Department of Mineral Resources were assigned to the SMDC for exploration. A wholly-owned subsidiary (SMDC Mining Co. Ltd.)

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1. See Jean Laux and Maureen Molot, 'The Potash Corporation of Saskatchewan', in Allan Tupper and G. Bruce Doern, eds., Public Corporations and Public Policy in Canada (Montreal: Institute for Research on Public Policy, 1981) chapter 5. See also John Richards and Larry Pratt, Prairie Capitalism (Toronto: McClelland and Stewart, 1979) chapters 5, 6 and 10.

was incorporated in Saskatchewan and registered in both Alberta and Manitoba in order that mineral claims might be held in those provinces as well.[2]

PCS is also a provincially-owned Crown corporation, engaged in commercial production of potash. Originally established to open up a new potash project, its focus was later shifted, and it was empowered to take over and operate any asset needed in developing potash resources in Saskatchewan. Its establishment immediately after a bitter revenue-sharing dispute between the potash industry and the provincial government, and involving intense intergovernmental dispute as well, meant that PSC was clearly the more controversial of the two corporations, at least in terms of its origins.

Although the origins of SDMC and PCS are partly interwoven, in some critical respects their establishment followed very different paths. Because we have two corporations to examine rather than just one, our treatment of the origin of each is somewhat more cryptic than the treatment offered in the other cases. Nonetheless the establishment of both in a brief period of political history in one province highlights the diverse political dynamics that lead to intervention via the vehicle of public enterprise.

The Historical Context

In 1944 the Cooperative Commonwealth Federation (CCF) was elected in Saskatchewan, under the leadership of Tommy Douglas. The CCF planned extensive social services, and provincial revenues had tc be increased in order to pay for the proposed programs. Furthermore, the CCF realized that the predominantly agricultural economy of Saskatchewan would have to be expanded and diversified to support the planned social programs, and that the government itself would have to go into business, build factories, and produce goods.[3]

The mineral development policies of the CCF government under Premier Douglas were governed by a combination of political philosophy and pragmatism. The party's 1944 election campaign platform included a commitment to

2. Saskatchewan Mineral Development Corporation, Annual Report 1974-75, p. 3.
3. Robert Tyer, Douglas in Saskatchewan, (Vancouver: Mitchell Press, 1962), p. 32.

diversification of the province's largely agricultural economy by the development of the province's natural resources through the vehicle of Crown corporations. However, once elected, the government had insufficient public funds available to allow it to engage in extraction activities on a large scale.[4] The Douglas government did attempt to find means of developing the province's recently-discovered potash reserves under Crown auspices and, to this end, tried to convince the federal government to participate with it in a joint mining venture. However, federal disinterest in this proposal left the provincial government with no alternative but generally to continue its predecessor's policy of encouraging resource development through private capital. The government offered interested companies incentives in the form of low royalty and tax rates, and generous land disposition regulations.

The one exception to this policy of private-sector mineral development was the Douglas government's decision to create a Crown corporation, Saskatchewan Minerals, to produce and market the sodium sulphate found in many of the province's lakes. The government was dissatisfied with the rate at which the private sector was mining sodium sulphate and with the resulting level of revenue being generated for the provincial treasury, and felt that the existing policy instruments, such as the Alkali Mining Regulations, were incapable of fostering the rate of mineral development the government deemed desirable. Moreover, Saskatchewan Minerals, like the other small Crown corporations established by the first CCF government, allowed the government a direct hand in job creation and diversification of an economy heavily dependent on agriculture.

Saskatchewan Minerals first appeared as Saskatchewan Clay Products in 1944 and became Saskatchewan Minerals the following year. The corporation was established by Order-in-Council 724 in 1945 and was amended by Order 319 in 1946 and Order 535 in 1947.

Its role was to produce and market sodium sulphate from several salt lakes located throughout the province, and to operate a clay-products plant at Estevan. Saskatchewan Minerals has been cited by Herschel Hardin as an example of 'the enduring but small and now almost ideologically invisible Crown corporation established by the early Co-operative Commonwealth Federation (CCF) in Saskatchewan'.[5]

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4. Ronald C. Murray, Provincial Minerals Policies: Saskatchewan 1944-75, (Kingston: Centre for Resource Studies, September 1978), p. 30.
5. Hershel Hardin, A Nation Unaware, (Vancouver: J.J. Douglas, 1974), p. 87.

More importantly, it was the first example of a provincial government Crown corporation directly involved in the production and marketing of minerals in Canada.

The Saskatchewan government's official rationale for the establishment of corporations like Saskatchewan Minerals focused on the economic objective of diversification of the economy; the Crown corporation was to become an important instrument in the diversification process. As Doris Shackleton has noted:

> Douglas declared from the outset that three kinds of industrial enterprise would be encouraged: co-operative for whatever function citizens might wish to organize; private business where its activities were competitive; and government corporations where private enterprise had failed to fill a social need.[6]

In its early years in power the CCF government spoke about 'planning' in an unabashed way. Thus another feature to note about its public enterprises was that they were governed by an overall statute and a planning apparatus: the corporations themselves were not free to formulate policy. They were restricted in policy formulation by the Government Finance Office (1947), and initially by the Economic Advisory and Planning Board (1946). The Crown Corporations Act, 1945, also provided that, in the performance of the duties and exercise of the powers conferred upon a corporation by this act, the corporation shall be responsible to a member of the Executive Council designated by the Lieutenant Governor in Council. In the case of Saskatchewan Minerals, a Cabinet minister chaired the board of directors, to ensure that the minister could monitor corporate objectives in terms of government policy.

A final but hardly unimportant factor in the overall historical context was the constitutional and federal-provincial issue of resource ownership.[7] Until 1930 the federal government controlled mineral resources in Saskatchewan.

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6. Doris F. Shackleton, Tommy Douglas, (Toronto: McClelland and Stewart, 1975), pp. 185-186. See also S.M. Lipset, Agrarian Socialism (New York: Doubleday, 1968 updated edition).
7. John Richards and Larry Pratt, Prairie Capitalism, chapters 2 and 3. See also G. Bruce Doern and Glen Toner, Energy Politics and the NEP (Toronto: Methuen, 1984) chapters 2, 6 and 8.

Ottawa had previously granted extensive mineral rights in the province to several large companies such as Canadian Pacific Railway, Canadian National Railway, and the Hudson's Bay Company. The ownership of natural resources did not pass to the province until the passage of the Saskatchewan Resource Act, 1930.

The Saskatchewan government resented the federal government's alienation of much of the province's mineral rights. In an effort to win back some of the benefits stemming from mineral rights in the province, the CCF enacted the Mineral Taxation Act of 1944, whereby the owners of mineral rights were forced to pay a tax on their holdings. The creation of Saskatchewan Minerals in 1945 can thus be seen as another step in gaining greater provincial control over mineral resources, in response to past federal practices. These kinds of action were therefore set in the even broader context of prairie resentments against eastern controlled bases of political and economic power. This resentment had helped spawn various 'protest' parties or third parties, including the agrarian socialism of the CCF and its successor, the New Democratic party (NDP).[8]

The Public Policy Context of the 1970s

Saskatchewan, like Nova Scotia and B.C. in the other case studies, was influenced both by its cumulative history and by a multiple-policy maze, in this case with particular Saskatchewan and regional configurations. The policy balances and partial contradictions inherent in resource policy, energy policy, regional policy (in both the Canadian and northern Saskatchewan sense) and social and environmental policy were perhaps even more difficult for the NDP because it maintains an ideal of development where 'social' and 'economic' are almost indistinguishable objectives.

While the two Crown companies, PCS and SMDC, were both bound up in the overall policy context, each was driven into existence by specific immediate concerns. In the case of SMDC it began with the post-OPEC 1973 energy crisis, which led not only to concern about provincial

8. See S.M. Lipset, Agrarian Socialism, C.B. McPherson, Democracy in Alberta (Toronto: University of Toronto Press, 1962) and M.J. Brodie and Jane Jenson, Crisis, Challenge and Change: Party and Class in Canada (Toronto: Methuen, 1980).

energy needs and self-sufficiency, but also to an increase in the strategic value and price of uranium.[9] It was long known that Saskatchewan had excellent uranium deposits. But uranium was also a double-edged sword, in that not only did it evoke the possibility of economic development, especially in the north of Saskatchewan, but it also involved some of the most politically sensitive of all environmental issues, nuclear power and radioactive waste.[10] It also involved specific federal regulatory powers, as well as federal Crown corporations such as Eldorado Nuclear Ltd. and the competing interests of the Ontario uranium industry. In the case of PCS, it was the growing international value of potash that initially escalated the stakes. This in turn raised in highly visible ways the issue of resource rents, how best to capture them, and how best to secure a pace of development that was economically wise and socially acceptable.[11] But the sheer size of the rents, in this case from both uranium and potash (and also in oil and gas) gave a distinct edge to economic interests. In short, the government of Saskatchewan had a variety of interests, social, political and economic, in the various policy fields involved.

The Saskatchewan government saw the uranium industry as an important potential source of revenue for the province. However, in the early 1970s, it concluded that the pace of development of the uranium industry in the province was too slow. The particular joint venture opportunity that triggered the formation of SMDC was the approach to the Saskatchewan government by a group trying to sell

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9. See G. Bruce Doern, Government Intervention in the Nuclear Industry (Montreal: Institute for Research on Public Policy, 1980).
10. This was later recognized with the establishment of the Bayda Commission, when uranium development was imminent. See Cluff Lake Board of Inquiry, Final Report (Regina: Queen's Printer, 1978). The inquiry looked into the probable environmental, health, safety, social and economic effects of the proposed uranium mine and mill at Cluff Lake, as well as social, economic, and other implications of the expansion of the uranium industry in Saskatchewan.
11. See Pratt and Richards, Prairie Capitalism; and David L. Anderson, The Role of Mineral Taxation in Industry/Government Conflict: The Case of the Saskatchewan Potash Reserve Tax (Kingston: Centre for Resource Studies, 1981).

the one-third interest of Bell Oil in the project which was to become the Key Lake uranium mine. The partners had been unsuccessful in their attempt to find a private-sector buyer. The government liked the proposal; thus SMDC provided a vehicle to take advantage of this joint-venture opportunity and at the same time to speed up the overall development of uranium and other mineral activities in the province. This was expected ultimately to lead to an increase in revenues for the province, as more public and private ventures were undertaken and more uranium was produced and sold. Although official explanations refer to the fact that the SMDC was to act as a 'window' on the uranium industry, it is apparent that revenue goals were present as well.

At the time that SMDC was established, the Saskatchewan government made it clear that the corporation would be directly involved in exploration, extraction and processing of uranium and other mineral resources. Somewhat later it linked its overall resource policy to its larger view of an industrial strategy for Saskatchewan. The Saskatchewan NDP's industrial policy included the following principles:

- the public sector plays a key role in the control, development and extraction of nonagricultural raw materials;

- resource policies are intended to return to the Saskatchewan people the maximum value from resource extraction, while enabling corporate enterprise to realize a reasonable rate of return on investment;

- the private sector has a clear and extensive role to play in manufacturing and processing stages of resource-based activities in the province;

- when an opportunity is identified in the manufacturing sector, preference will be given to Saskatchewan-based over out-of-province firms where a choice exists, and where local business is clearly capable of profitably exploiting the new opportunity;

- resource upgrading should occur in proximity to the source of the raw material supply, to the extent that it is economically feasible to do so;

- industrial projects must be implemented in a manner consistent with current environmental legislation and sound ecological practices.[12]

The underlying reasons for the establishment of PCS are even more explicitly tied to the rents, revenues, and development issues. The potash industry was seen as a large potential source of revenue for the province, and the government was very interested in both the development of the resource and an increased share of the resource rents. Initially it tried to do this by imposing the Potash Reserve Tax in 1974. Key private firms, however, balked at the government's attempts to increase its share of revenues from the industry by alleging that the new tax was unconstitutional, slowing up production, not paying taxes, and initiating court action. The court action was supported by the federal government and the dispute continued for five years, although with diminishing hostility. It was finally resolved in 1979, when the tax was dropped by the government and replaced with the negotiated Potash Resource Payment Agreement.[13]

In the meantime, the Blakeney government decided to establish PCS, first with the intention of using it as a vehicle for development of a provincially-owned potash mine, and later as a means for takeover of existing producers. As Blakeney stated in November 1975:

> My government has given careful consideration to its stated objectives of ensuring expansion of potash production at an assured fair return and a greater participating role for the people of Saskatchewan and has concluded that these are valid and vital objectives to be pursued...My government believes that by achieving effective control through ownership of a major part of the industry it will be possible:
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> - to ensure orderly expansion of production in Saskatchewan to meet growing world needs;

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12. An Industrial Development Strategy for Saskatchewan, Saskatchewan Department of Industry and Commerce, 1977, p. 14.
13. D.L. Anderson, The Role of Mineral Taxation in Industry/Government Conflict: The Case of the Saskatchewan Potash Reserve Tax.

- to regulate production to conserve potash in the best interests of Saskatchewan people; and
- to ensure a secure flow of revenue to all the people of Saskatchewan.[14]

Analysis of the Origins of SMDC and PCS

Ideologies and Political Parties

Ideology was arguably a more significant factor in the SMDC and PCS cases than in our other two case studies, precisely because there had been socialist-based CCF-NDP governments in power earlier in Saskatchewan than in any other province. The early group of Crown companies including Saskatchewan Minerals was quite clearly based on an ideology then freshly forged in the memory of prairie economic depression and dependence. Later studies of the post-war period, such as Evelyn Eager's Saskatchewan Government, Politics and Pragmatism, argued that the CCF's participation in the economy came in an era when all governments were becoming more involved. She concluded that, despite the political philosophy of the party, the 'CCF performance showed a difference more in degree and in timing than in kind'. Eager stresses that:

> Distinctive features of the CCF government's performance did not represent that sharp departure from the practices of its predecessors in government or from those in neighboring provinces which was sometimes pictured. Enthusiasm and a

14. See Journals of the Legislative Assembly of the Province of Saskatchewan, Session 1975-76, 1st Session, 12 November 1975, pp. 6-9. The Throne Speech of 1975, Premier Blakeney's remarks in the Legislature Debates, the Budget Speech of March 1976, and Roy Romanow's comments to the Saskatchewan Select Standing Committee on Crown Corporations in 1981 give an official explanation for the establishment of the PCS. 19 November 1975, pp. 104-109; Budget Speech, 24 March 1976, especially pp. 11-13, and Crown Corporation Committee Minutes and Verbatim Report, 2 April 1981, pp. 273-75. Also see Anderson, The Role of Mineral Taxation in Industry/Government Conflict.

> reforming spirit were evident, administrative innovations occurred, changes were made, and new policies and services were introduced in addition to the experimentation in government ownership. These new elements all occurred within the framework of the existing economic and social order.[15]

But in broad comparative case studies of this kind, degree and timing are key matters of evidence. The CCF government intervened to a greater degree than would have otherwise been the case, precisely because of its ideology. As Shackleton states:

> In economic terms, the socialist thrust of the CCF government was directed toward planning in place of ad hockery, toward more and larger Crown corporations and government services, and, in the exploitation of new natural resources such as oil and potash, toward tighter control, and a greater diversion of wealth through royalties and taxes into the public purse.[16]

What then can be said about ideological factors in the later period leading up to the decisions to establish SMDC and PCS? Ideology was still a potent factor, as our earlier account makes clear, but the jump, or the causal connection, between ideology and an action to create Crown corporations is not direct.

The establishment of the SMDC did not generate extensive controversy at the time of its creation in 1974, either in or outside of the legislative, largely because it was established by order-in-council rather than by a new statute. Furthermore, joint ventures were not a compulsory element of its initial mandate. The provincial Conservative opposition did note, however, that the SMDC was a poor investment and that 'putting the money in the bank would bring a better return'.[17]

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15. Evelyn Eager, Saskatchewan Government, Politics and Pragamatism, (Saskatoon: Western Producer Prairie Books, 1980), p. 57.
16. Doris F. Shackleton, Tommy Douglas.
17. Donald Humphries, 'SMDC Feels It Has Proved Its Key Role In Province's Mineral Exploration', The Globe and Mail, 5 November 1979), p. B6.

There was no overt evidence of federal government opposition to the formation of SMDC on ideological or partisan lines. One might have expected to find some reaction because of the interests of the federal government's own Crown corporation, Eldorado Nuclear Ltd. This could in part be attributed to the fact that Ottawa, as owner to a uranium producer itself, was glad to see anything that might bring uranium out of its early pre-1973 doldrums, and perhaps in part to the fact that Ottawa had itself announced in December 1973 that it was about to establish Petro-Canada and was in no position to criticize the proliferation of Crown corporations.[18] There was also no strident opposition to SMDC from the mining industry, although the mining industry's views on government involvement were well known. The following statement in the Mining Association of Canada's Annual Review 1975 typifies the tone of its opposition.

> Those who expect that governments can effectively fill any resulting gap left by the private sector are living in a dream world. The record throughout the Western World makes it abundantly clear that governments are simply not equipped to initiate entrepreneurial and risky ventures. In fact, this is now being borne out by the action of the Saskatchewan government itself.[19]

Implementation in 1975 of the compulsory joint venture provision did serve to escalate the ideological content of the debate, and eventually led the Conservative government of Premier Grant Devine to drop the compulsory provisions in 1983.

In the case of the origins of PCS, ideology was quite pronounced, but other factors also interceded. In relation to partisan political party differences, it is important to remember that, prior to the increase in potash prices in the early 1970s, the dilemmas of resource management in the potash sector had been different from those of uranium. For example, the Liberal government of Premier Ross Thatcher, which was also quite a conservative regime, had been

18. See Doern and Toner, Energy Politics and the NEP, chapter 2.
19. Mining Association of Canada, Annual Review 1975, p. 14.

faced with a problem of oversupply of potash, and sagging prices. In its tenure in power from 1964 to 1970, the Liberals' problem was to try and stabilize production and revenues. To this end, the Saskatchewan Liberal government introduced a prorationing scheme in January 1970. Each potash producer was authorized to produce a portion of the total annual demand for the commodity. The prorationing policy, which was justified on the grounds of arresting the decline of an important provincial industry and ensuring some provincial revenue from the potash sector, was a departure from the norm of Liberal mining policy which was basically the encouragement of mineral development through attractive royalty and tax rates, exploration and infrastructure assistance, and extended exploration permit time frames. The government also established a minimum sale price per ton of potash, required companies to obtain disposal licences for all out-of-province shipments of product (which was virtually the entire output of the industry), and created a marketing agency, Canpotex, to sell Saskatchewan potash offshore (outside North America).[20]

The major proponent of Crown corporation activity in the PCS case was, of course, the Saskatchewan government. The major opponents were the private-sector producers: International Minerals and Chemical Corporation, Hudson Bay Mining and Smelting Co., Cominco, Central Canada Potash Ltd., and Alwinsal. These companies had much to lose by the time PCS was created by the NDP in 1975, particularly with the province's subsequent decision to take over some of the existing operations. The price of potash was starting to rise by 1975, following the earlier slump. Future world markets looked good, the industry appeared to have a profitable future, and potash takeovers would mean the loss to the private sector of significant future benefits. The companies argued that they had taken the initial risks in developing the industry in the province by opening the mines, and that a government takeover would take away from them enterprises which they had created and made profitable.

The Mining Association of Canada (MAC), as the national organization for the mining industry in Canada, opposed both the establishment of PCS and the takeovers in the potash industry in Saskatchewan. The MAC stated in 1976 that the action taken by the Saskatchewan government

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20. Laux and Molot, 'The Potash Corporation of Saskatchewan'. See also Frank Flatters and Nancy Olewiler, Dominant Government Firms in an Oligopolistic Industry: The Case of Saskatchewan Potash (Kingston: Centre for Resource Studies, 1984).

had serious national implications, and would conflict with the federal government in the areas of taxation, trade and commerce, transporation, foreign investment, and relations with the USA. The MAC was also worried that foreign interests would be reluctant to invest in Canada; that the proposed takeovers were unfair and unethical; that it was based on a narrow doctrinaire philosophy; that the majority of the people in Saskatchewan were opposed to the takeover; that government was not equipped to initiate an entreprenuerial and risky venture; that such action eroded the 'fragile confidence' of the private sector in government; and that the government would confiscate the firms at a 'bargain-basement price'.[21]

The MAC provided support to the Canadian Potash Producers Association (CPPA) and the Saskatchewan Mining Association, by arranging meetings in Ottawa for representatives of the CPPA to discuss the national implications of the Saskatchewan legislation with the Deputy Ministers of Finance, of Energy, Mines and Resources, and of Industry, Trade and Commerce. The MAC also wrote to the federal Minister of Finance urging action by the federal government to disallow the Saskatchewan legislation on the grounds that it threatened the national economy.

The CPPA, representing the private-sector companies which owned potash mines in Saskatchewan, lobbied to stop government takeovers of private companies in the industry. It spent over $100,000 on a campaign to muster public opinion against the takeover actions, a campaign which included speeches, media advertising, and appearances on radio and TV, as well as continuing representations to the provincial government.

The industry interests found an ally in the Saskatchewan legislature in the small but aggressive Progressive Conservative party. Then headed by R.L. Collver, the Conservatives echoed and reinforced the opposition of the business interests.

Alternative Instruments and Specific Decision Processes

Not surprisingly, given the evidence from our earlier case studies, the actual form of the instruments of intervention in Saskatchewan was also shaped by specific events and

21. See Proceedings of the 32nd Annual General Meeting, Mining Association of Canada, Ottawa, 25 February 1976.

decision sequences. As noted in the case of SMDC, the specific catalyst was the desire of Bell Oil to give up its one-third interest in the Key Lake uranium prospect. The Saskatchewan government decided that the best way to take advantage of this opportunity was through a new Crown company. Soon after, since the value of overall uranium deposits in the province looked promising, SMDC was given compulsory joint venture powers, requiring private companies to offer SMDC a share in their projects.

A considerably more cordial and cooperative government-industry relationship prevailed with respect to uranium than in the potash sector. This can be attributed to a number of factors, including:

- not least in importance, the personalities involved;
- the relative immaturity of the uranium industry, which meant that companies were involved in exploration, rather than production, and their sunk costs were therefore relatively small;
- Crown (i.e. provincial) ownership of virtually all the land on which prospecting for uranium was being done;
- federal foreign ownership restrictions on uranium ventures, requiring Canadian partners for foreign companies;
- most uranium companies active in Saskatchewan were foreign owned (German, French, and Japanese), and either government-owned themselves or accustomed to having government joint-venture partners.

All these factors tended to increase provincial government leverage, making the corporations were more willing than the potash producers had been to cooperate with the government and take it on as a joint venture partner.

Although SMDC owns outright a considerable proportion of the uranium exploration ventures in the province, the major avenue for its participation in resource development has been through joint ventures with the private sector. Perhaps in part because there have been a number of such collaborations, SMDC does not seem to have been as controversial as PCS, although the private sector did voice its concern that many companies were unwilling to enter into ventures with SMDC.

Similarly, in the case of PCS, there were particular decision catalysts. The decision to use PCS to actually take over private firms was not an automatic one. When PCS was set up, the initial intent was to open a new mine to promote expansion directly. After PCS was established, however, a feasibility study showed that the project would not be economically viable. In the meantime, marketing studies had convinced the NDP government that markets would expand, and the government wanted expansion of production in the province in order to maintain Saskatchewan's market share. The government tried again, this time proposing joint ventures to go ahead with the new mine, but no private firm was willing. In the midst of all of this was the growing dispute over the Potash Reserve Tax, which brought with it sustained opposition from private sector producers and Ottawa. The pressures combined in such a way that PCS was increasingly viewed by the NDP government as an instrument for recovering control by taking over part of the private sector.

Whether the takeovers are interpreted as being intended all along, or were propelled in domino fashion by the cumulative and immediate intensity of the pressures, depends on the eye of the beholder. The fact is that PCS became something different than was originally intended. Our account suggests that the line from ideology to policy to instrument to particular Crown corporation form was more analagous to a hop, skip and jump than to a wholly pre-determined 100-yard dash.

5. NOVACO LIMITED

Novaco Limited was created in 1970 as a public corporation under the Nova Scotia Companies Act, with the government of Nova Scotia holding 4,997 of the 5,000 shares. Established basically as a departmental corporation within the Nova Scotia Department of Mines, Novaco was to administer and pay pre-retirement leaves to miners and subsidies to private coal companies. Both of these tasks arose out of the difficulties experienced with the closing of privately-owned coal mines in the province. According to John C. Smith, then president of Novaco Ltd., the company was established as a coal company, but, in addition, the articles of incorporation allowed Novaco to exercise certain 'social responsibilities' in coal mining communities.

> At that time the prime concern was for the welfare of miners who lost their employment upon the closure of the MacBean pit at Thorburn. A pre-retirement leave plan was designed to provide some income for miners over the age of fifty-five years.[1]

Novaco's original Memorandum of Association gave the organization a very broad mandate. It stated in part that the objects for which the company was established were to carry on the business of a coal mining company in all its branches, including purchasing and leasing mines, minerals, options, and buildings. The Memorandum also gave Novaco the following rights:

> to act on behalf of or in co-operation with any government or authority or other public body or any corporation in carrying out any function, duty or obligation related to the coal mining industry in the Province of Nova Scotia, in all its aspects, and, without restricting the generality of the foregoing, to receive, maintain, hold and distribute payments, grants, subsidies and other monies for the development of the coal mining industry or for distribution among persons at

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1. John C. Smith, 'Novaco and the Nova Scotia Energy Plan', (mimeo, no date), p. 2.

any time engaged or employed in that industry, and to enter into and carry out agreements in furtherance of that object.[2]

In addition, the administration of other programs of the Mines Department was transferred to Novaco 'for convenience and efficiency of operation'. Those programs were as follows:

- Voluntary Leave of Absence with Pay Program, for employees of the independent coal mines;
- The Assistance for the Movement of Nova Scotia Coal Programme;
- Supplementary Pensions to the McBean Mine Employees Programme;
- The Dominion Steel Coal Corporation Limited Pension Plan, 1923, Programme;
- Reimbursement of the Workmen's Compensation Board Programme;
- Pensions for the Employees of Nova Scotia Coal Mining Industry Programme.

Eight years later, on 4 April 1978, the Minister of Mines announced to the legislature that the functions of Novaco Limited (at that time reorganized as a Crown company) had been expanded. The company would undertake the administration, management, operation, and development of near-surface coal resources, 'in order to assist in securing an increased output of coal in the province.[3] He noted that Novaco would be responsible for selecting possible mining sites and negotiating contracts with operators to mine such coal resources.

Thus Novaco's origins can be considered in a sense to be a two-stage event, first as a government-sponsored company and then as a Crown company in a more full-fledged sense. Its origins in 1970 were also interwoven, as we see below, with the activities of the Cape Breton Development Corporation, a federal Crown corporation.

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2. Memorandum of Association of Novaco Limited, registered and filed 21 April 1970, p. 1.
3. Nova Scotia, House of Assembly Debates and Proceedings (Tuesday 4 April 1978), p. 1290.

The Historical Context

Novaco came to fruition as part of the Nova Scotia and federal governments' responses to the underdeveloped and dependent nature of the provincial economy. It is therefore important to understand some of the history of the Nova Scotia mining industry.

Coal mining began in the province in the 1700s. In the late 1800s and early years of the 1900s coal mining developed quickly. The coal economy of the Cape Breton region of Nova Scotia experienced an expansionist period, following the tariffs imposed on imported coal by the National Policy of the federal government. This expansion, however, 'demonstrated several aspects of the uneven development between regions which characterized the emergence and consolidation of industrial capitalism in Canada'.[4] Expansion was based upon rapidly increasing markets for coal in Quebec, and on the industrial expansion of the Maritimes (Nova Scotia and New Brunswick) under the National Policy. This policy encouraged the expansion of the coal industry, but did not promote long-term stability or prosperity for the hinterland resource area.

Cape Breton's coal industry was extremely vulnerable at this time in at least two respects. First, a fixed duty on coal imports, combined with the doubling of coal prices in the period 1900 to 1925, meant a rapidly escalating level of competition from the United States for the growing Quebec markets. Second, the increase in demand for coal within the Maritimes came predominantly from a single customer, the Nova Scotia steel industry. Partly as a response to the vulnerable position of the coal industry, a major corporate consolidation took place in which the Dominion Coal Company gained control over the vast majority of existing coal mining operations in the Sydney coal field in Cape Breton. The provincial government gave the company a 99-year lease on all the unassigned coal resources of Cape Breton. In 1921, the Dominion Coal Company was taken over by the British Empire Steel Corporation, which in turn was taken over by Dominion Steel and Coal Corporation

4. David Frank, 'The Cape Breton Coal Industry and the Rise and Fall of the British Empire Steel Corporation', in J. Paul Grayson, ed., Class, State, Ideology and Change, (Toronto: Holt Rinehart and Winston, 1980) pp. 277 and 286. See also Philip Mathias, Forced Growth (Toronto: James and Lewis, 1971). Mathias deals with other efforts in Nova Scotia to foster development, including the Clairtone Sound and Deuterium projects mentioned later in this chapter.

(Dosco), whose British parent firm was the Hawker-Siddeley Corporation. Over 80 percent of the provinces' coal mines belonged to Dosco.

From the early 1950s to the mid-1970s the Nova Scotia coal industry experienced a dramatic decline. Demand for coal plummeted, and the decline was hastened by the closure of mines in the Springhill area following mine disasters there. In the mid-1960s the local steel industry also encountered problems, as Dosco experienced production problems, high costs, and dwindling markets. A report on Dosco's steel plant, completed for the provincial government in 1967, pointed out that:

> Many of the facilities have been maintained past the point at which they should have been replaced or completely rebuilt. We have observed that even though the annual depreciation charge has been quite low that not even this amount was reinvested in new capital assets.[5]

Dosco, in short, practiced a policy of running down its plant and thereby reducing capital costs through a policy of non-replacement.

It is important to understand the history of Dosco's behaviour, in order to appreciate the creation of Novaco as a provincial Crown corporation. Commenting on the economic crisis faced by Cape Breton in the mid-1960s, Tupper argues that this crisis 'made painfully obvious Cape Breton's dependence on a failing industry and a single powerful corporation'.[6] In 1965 Dosco announced that it would be forced to fold its operations unless it received increased and massive government assistance. The federal government had been supplying the coal industry with some subsidies since the 1920s; however, even following an offer in the early 1960s of increased federal assistance, Dosco still planned to pull out of Cape Breton.

Following the report of the Donald Commission in 1966, the Cape Breton Development Corporation (CBCD, or more commonly known as Devco) was formed to permit the federal government to take over Dosco's Cape Breton holdings and operations, with the intent of rationalizing and winding down the coal mines and promoting alternate employment opportunities. Part of Devco's rationalization plan included

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5. Nova Scotia, 'Report on Review of Operations of Dominion Steel and Coal Company Ltd., Sydney Works', 27 November 1967, pp. 1 and 5.

pre-retirement leave plans for Cape Breton Dosco employees, which permitted a drop in employment levels while avoiding politically disastrous social dislocations. Under the retirement plans, pre-retirement pay could be considered standby pay, and those receiving it were to earn Canada Pension credits.[7]

The province meanwhile was responsible for any financial aid to the remaining independent coal mines. Devco's mandate did not include Dosco holdings outside of Cape Breton, such as the McBean Colliery, and Nova Scotia began planning pre-retirement leave plans for the five remaining independent coal mines in the province. The Annual Report on Mines 1967 stated that:

> it is assumed that any assistance that is necessary and warranted to maintain operations of the five remaining independent coal mines must be provided by the Province of Nova Scotia, and much work has gone into devising a suitable formula for such assistance.[8]

A vehicle was needed through which the Nova Scotia Department of Mines could provide these early retirement pensions and, perhaps, financial aid to private mines in the form of subsidies.

The Public Policy Context of the 1970s

Novaco was forged in a public policy context in which the dictates of policy involved an almost inevitable mixture of mining policy, energy policy, regional policy, environmental policy and social policy. It continued to evolve through a time when assumptions about the world energy economy involved an abrupt about-face, after the OPEC oil crisis of 1973.

Novaco's initial broad mandate seems surprising, given the narrow range of activities it was expected to perform: that is, provision of pre-retirement pensions, and possibly subsidies to ailing private mine operators. However, its

6. Allan Tupper, 'Public Enterprise as Social Welfare: The Case of the Cape Breton Development Corporation', Canadian Public Policy, 4, Autumn 1978, p. 536.
7. See Roy George, 'The Cape Breton Development Corporation', in Tupper and Doern, Public Corporations and Public Policy in Canada, pp. 365-389.
8. Nova Scotia, Department of Mines, Annual Report, 1967, p. 7.

broad mandate would allow the provincial Department of Mines to utilize Novaco as it desired in the future, as a vehicle for shaping mining policy and for executing programs. There is some indication that the Department of Mines had already anticipated increased opportunities in coal mining and markets. The department's annual report for 1970 suggested that a review be undertaken to determine whether the phasing out of the Sydney coal field mines (primarily through Devco) continued to be desirable. It also argued that, with rapidly escalating energy costs, coal reserves could be important to the provincial economy, at least until tidal power was realized. While production of coal in Nova Scotia had dropped by 19 percent in 1970, the report stated that 'market demand was such that sales at these higher prices could have increased markedly had the coal been available'.[9]

At the time of its formation in 1970, Novaco had a very low profile, receiving little, if any, attention in the press and the legislature.[10] It had no headquarters or

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9. Nova Scotia, Department of Mines, Annual Report on Mines 1970, p. 8. The Report goes on to say: 'In view of an almost certain rapid increase in the cost of energy it could well be that our remaining partially developed coal reserves can play an important role in the economy of the Province'.

10. Our review of the Nova Scotia House of Assembly Debates and Proceedings covered the following dates for this period.
49th General Assembly: April 23-25, 1969, partial session three; February 19-April 24, 1970, entire session four.
50th General Assembly: December 10-March 3, 1970-71, half of session one; March 22-May 15, 1972, entire session three; January 25-April 6, 1973, entire session four; November 29-December 12, 1973, entire session five.
Among the above dates, no mention of Novaco was discovered. It should be noted, however, that no index exists for these dates. Therefore, the search was completed by reviewing tables of contents for relevant and related matters, reading those sections, and reading important throne speeches, and budget speeches.
51st General Assembly: May 23, 1974 - February 7, 1978, first to fourth sessions (no mention of Novaco). Novaco is first mentioned in the Debates during the 5th session of the 51st General Assembly, 1978, when it became a provincial Crown corporation.

board of directors or employees, but was an integral part of the Department of Mines. The three designated individual shareholders were members of the Department of Mines. There was no mention of Novaco in the Department of Mines annual reports until 1973. However, the provincial public accounts for the 1971 fiscal year list Novaco Ltd. under the Department of Mines, with an expenditure of approximately $2.145 million. Though the public accounts do not indicate what this amount covers, it in fact represented money spent on pre-retirement leave pensions, pension plans, and subsidies to private coal mining companies.[11]

In 1972, the second largest producer and employer in the Nova Scotia coal mining industry, the McBean Colliery, closed down its operations. Unemployment problems were eased somewhat by preplanning for the closure, through pre-retirement pensions, and retraining. However, about fifty employees were excluded from both of these programs. Subsequently, a coal wash plant at Stellarton was reactived, to reclaim coal left in the coal dumps in the area. This move was justified on four grounds: it would provide employment for the remaining fifty ex-McBean employees; it would remove a potential fire hazard - the coal dumps; it would be an alternate source of inexpensive coal; and it would be an experimental project from which the federal and provincial governments could gain knowledge. Capital costs were shared by the federal Department of Regional Economic Expansion (DREE) and the provincial government. The project was operated by a private company, Thorburn Mining Ltd., while management, engineering and accounting services were performed by staff of the Department of Mines. Novaco had direct responsiblity for all financial aspects of the coal recovery operation, including payments to Thorburn Mining.[12]

Following the 1973 world oil crisis, the production of Nova Scotia coal increased for the first time in decades. After reaching a provincial low in production levels of coal in 1973 of about 1.2 million net tons, production levels increased in 1974 and 1975. In the latter half of the 1970s, provincial consumption of coal increased. The major users of coal during the early 1970s were the Nova Scotia Power Corporation (NSPC) and the Sydney Steel Corporation. In 1974 coal-fired electrical generating units provided 27 percent of Nova Scotia's electrical demand. The majority of

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11. Interviews.
12. See Nova Scotia, Department of Mines, Annual Report 1973 and Public Accounts, 1977, p. 162.

coal for thermal generation and coking coal for Sydney Steel Corporation was produced by the Cape Breton Development Corporation. The NSPC, however, still relied on imported oil for 55.5 percent of its energy needs. Moreover, Nova Scotia had no large energy-producing conventional hydro resources, and no high-capacity interconnections to the rest of Canada. A 1975 Nova Scotia government report noted that:

> Nova Scotia is faced with continued and increasing reliance on petroleum products for the production of electrical energy for at least another decade. This reliance poses problems in supply security and cost. In such circumstances, it is estimated that the NSPC requirement for heavy fuel oil will increase from 10 million barrels in 1978 to 16.5 million barrels in 1985.[13]

This report recommended that the most viable alternative was coal, 'an historic industry which has been subject in recent past to a phasing-out process.' Furthermore, the report argued that an abundant supply of reasonably-priced provincially-produced coal would allow NSPC to plan its system expansion so that utility needs could be met with minimum out-of-province expenditure and with a high degree of security.[14] The report therefore recommended the opening of new mines.

With the increasing importance of exploration and development of coal resources, the Nova Scotia Department of Mines, with shared funding from DREE, undertook a coal inventory program designed to ascertain potential underground and surface coal reserves in the province. The province introduced a new Mineral Resource Act in 1975 designed to:

> regulate exploration and development, and to replace the previous Mines Act, which had become out of date. The new Act is broader in scope, ... and sets out the requirements for obtaining and holding exploration licences and mining

13. Nova Scotia, Pertinent Facts and Background Information, First Minister's Conference, April 9-10, 1975, section 2, p. 2.
14. Ibid.

leases ... A large section of the Act deals with the conditions for entering and acquiring mineral lands.[15]

The act also sets out government inspection procedures. With the Mineral Resource Act, the Nova Scotia government began a process of tightening regulations on the entire mining industry. Through the concept of development licences, the act allows companies to hold proven mineral deposits by licence until they are economic to mine, or to let other operators develop them.

Coal mining, however, was subsequently singled out for special restrictions regarding access under the terms of this act, because the province wanted to regulate coal mining even more closely than most other minerals. In order to explore for or to obtain a licence to mine coal in Nova Scotia, one must make a proposal to Cabinet. The proposal is then assessed by the Department of Mines. This process was designed to control the rate of development of coal resources, ensure the financial feasibility of proposed projects, review the financial stability of the corporations involved, and guarantee the reclamation of land in strip mining operations. Thus, the Nova Scotia government exhibited concern for the rate and mode of development of its indigenous coal resources and required guarantees of financial viability in order to decrease the likelihood that subsidies might later be needed by faltering operations.[16]

Throughout the mid-1970s, Nova Scotia's Liberal government announced its intention to convert as many oil-fired thermal plants as possible to coal burning capacity. Additionally, and more important in the long run (as conversions seem not to have taken place on any large scale), two major new coal-fired thermal plants were constructed during the mid-1970s at Lingan. Regarding his government's commitment to coal, Premier Gerald Regan stated that 'the fact that Nova Scotia is 65-percent dependent on foreign oil for electrical generation, plus the fact that the price of world

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15. Nova Scotia, Department of Development, Economics and Statistics Division, Mining Industry Profile and Impact Study, Halifax, June 1975, p. 37. See also Anne Koven, Provincial Mineral Policies: New Brunswick and Nova Scotia 1945-77, Working Paper No. 7, (Kingston: Centre for Resource Studies, 1978).
16. Nova Scotia, Department of Mines, 'Policy Statement: Evaluation Procedure for Opening Coal Mines - Nova Scotia', 1 May 1974.

oil has increased by more than 400 percent since 1973, makes it abundantly clear that Nova Scotia coal is our best energy option.[17]

While deep mining had been the traditional focus within the province, several factors contributed to a rising interest in open pit or strip coal mining. The first was the inventory program referred to earlier, which located areas in Cape Breton and the mainland where strip mining would be appropriate. Secondly, strip-mined coal is less expensive than deep-mined coal due to the relative ease with which the coal can be extracted. Thirdly, relative ease of extraction means a very short lead time is required in order to realize production; deep mines, on the other hand, take years to bring on stream. The major concerns, then, were how quickly could the new and converted thermal generating plants be brought on stream, and what sort of control could the province have over the price of coal.

With the new-found interest in strip mining of coal, Premier Regan's office attempted in 1977 to obtain surface rights to coal contained in the Devco leases. Most press reports during 1977 and 1978 state that Nova Scotia acquired these rights. However, in a press report dated 6 December 1978, Mines Minister Ron Barkhouse indicated that the Cape Breton surface rights were under the control of Devco - not the Department of Mines.[18] Devco did not in fact agree to give up its surface rights to the province; instead, it agreed to sublease its surface rights to the province, on a lease-by-lease basis. For example, sublease agreements between Devco and Novaco were drawn up for the Point Aconi and Gardiner seams. To date, Devco has not rejected any of the province's requests for sublease.

During the early 1970s the Nova Scotia Energy Council was formed to investigate matters of energy supply in Nova Scotia. As part of its investigations, several politi-

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17. Reported in The Northern Miner, 'Strip Coal Mining Potential is Being Studied', 19 January 1978, p. B11.
18. See, for example, The Evening News, New Glasgow, 6 December 1978, 'Strip Mining Project Remains Possibility'.
19. The Energy Council was formed in 1973 in order to study matters relating to the 'energy crisis'. The Council was made up mainly of deputy ministers including the deputies of Mines, Development, Finance, and the Nova Scotia Research Foundation as well as

cians and senior officials travelled to Britain in order to observe the large strip mining operations there and the workings of the National Coal Board. The National Coal Board of Britain is an organizing and regulating framework, which leases lands to operators, undertakes exploration and feasibility studies, and calls for tenders from private operators to mine the coal and deliver to a specified point at a specified price. Concerns of the Nova Scotia officials included the environmental impact of strip mining, optimum strip mining ratios, and methods and organization of production. Partly as a result of this interaction among Canadian politicians and bureaucrats, and British bureaucrats and corporations, it seems that several British firms became interested in Nova Scotia's surface coal reserves.

At approximately the same time, a large block of coal was identified in Stellarton, Nova Scotia, by the Department of Mines. This seam - the Foord seam - was deemed appropriate for further evaluation of its strip mining potential. The Mines Department invited private sector firms to submit evaluation and proposals for development. At least four of the proposals were submitted by British firms. In June 1977, Wimpey Canada Ltd., a subsidiary of a British firm, was selected by the Department of Mines to undertake a feasibility study. The project was eventually scrapped because of the high ash content of the deposit.[20]

The government decided that a provincial Crown corporation should be instituted to regulate the budding strip mining operations in the province. At the time, there was only one private-sector strip mining operation in the province, Thomas Brogan and Sons. The Cape Breton Development Corporation had undertaken a strip mining project but, partly due to labour union pressure opposing its involvement in strip mining, phased out its small operation. Thus, the strip mining industry was essentially a dormant one in Nova Scotia in 1977, with few established private-sector interests.

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the President of the Nova Scotia Power corporation and a representative from the Premier's Office. The Energy Council was not important to Novaco's creation as a Crown corporation. After the creation of the Department of Mines and Energy in 1978-79, the Energy Council was disbanded.

20. John C. Smith, 'Novaco and the Nova Scotia Energy Plan'.

Analysis of the Origins of Novaco

Ideologies and Political Parties

The ideological motives underlying the formation of Novaco, in the sense outlined in chapter 1, were facilitative and moderate, intended in a general way to promote economic development and to enhance provincial autonomy. Such motives illustrate the relatively non-ideological political tradition of Nova Scotia. During the late 1960s, when the Progressive Conservatives were in power, they were active in government takeovers such as the acquisition of Clairtone Sound, and in the creation of provincial Crown corporations such as Industrial Estates Ltd. Although they were roundly criticized for these activities by the Liberals, the Liberals themselves 'nationalized' the NSPC in the early 1970s. All the politicians (including Conservatives), senior governmental officials, private sector businessmen, and labour union officials interviewed in the course of this study agreed that the creation of Novaco was not a result of ideology or party position per se. However, as we show below, there are strong elements of belief and normative rationale involved in its creation.

When analyzing why Novaco was created, it does seem appropriate to identify one possible effect of party ideology: that is, the Regan Liberal government's commitment to limit foreign investment in Nova Scotia.[21] While the Liberal government also stressed provincial economic development, industrial development, and new energy initiatives as priorities, so did the Buchanan Conservative government which assumed office in 1978.[22] However, the Liberal party seemed more concerned with limiting, or at least controlling, foreign investment in Nova Scotia than was the Conservative party. This is not to argue that concern about foreign interests was the major cause of Novaco's creation as a Crown corporation, but to argue that it may have been a consideration, given the Liberal party's commitment to limiting foreign investment and given the province's history of foreign ownership and control. There was not much local expertise

21. See Nova Scotia, House of Assembly Debates and Proceedings, 50th General Assembly, first session, 14 December 1970.
22. For instance, see House of Assembly Debates and Proceedings, 52th General Assembly, first session, especially 7 December 1978, p. 8.

in strip mining, and it was apparent that outside contractors would be needed. Novaco therefore could at least be a means of control over the actions of any foreign firms involved in strip mining activities.

Party or government ideology more clearly influenced Novaco's organizational form than its creation. Regan's government chose what one politician called a 'middle of the road Liberal party approach', in setting up an organization that was obviously intended to manage and oversee projects rather than actually operate them. The importance of business criteria in government investments and intervention was stressed. By organizing Novaco as a coordinator and regulator, with very limited staff, it was also quite certain that this Crown corporation would not impose a massive debt load on the province, as the Minister of Finance had accused the Conservative's earlier projects of doing.[23]

While ideology was not an overwhelming factor, it does not follow that Novaco was merely the result of a pragmatic deal, uninformed by ideas and goals. As the account of the historical background and the policy context suggests, persistent and recurring ideas were present.

Nova Scotia has suffered from underdevelopment, in the sense that it has been primarily a staple producing and exporting economy with few spin-offs. It has been dependent, in several senses. First, it has been dependent upon a foreign-controlled private corporation (Dosco) for a large portion of its employment potential and resource development. Secondly, it has been dependent on an historically unstable demand for coal. Thirdly, it has been dependent on out-of-province energy sources to meet its energy needs, primarily in the form of Canadian and foreign oil. Through 1979, Nova Scotia was dependent on imported oil for over 80 percent of its energy needs, thus making it extremely vulnerable to events beyond its control.

The government rationale for strip mining in the province was based on concerns about energy prices and hence efficiency, as well as about self-sufficiency, provincial control, and a stable supply of energy. The government argued that intelligently developed strip mining would allow the province to stabilize its power source, at least for the short term. Even with increasing production from Devco's underground reserves, the province's supply of coal was not considered entirely dependable because of a history of

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23. See Nova Scotia, House of Assembly Debates and Proceedings, 50th General Assembly, third session, p. 1565.

mining disasters, equipment failures, failure to meet targeted production dates, and labour stoppages. Stripped coal, however, could be quickly brought on stream, to be used immediately or as a reserve supply and back-up to underground supplies. Further, the government believed that the use of stripped coal could lower or at least stabilize the cost of thermal generation in Nova Scotia. And finally, the government concluded that the development of coal reserves in the province by a Crown corporation would benefit the province more 'than if the funds were expended to service our needs from beyond our own borders'.[24] Ministers promised that 'there will be no takeover, as in the days before Devco, (i.e. consolidations as in the case of Dosco) ... The coal is owned by the people of Nova Scotia'.[25]

The role of normative ideas as independent causal factors, rather than mere rationales in the decision to create Novaco, is indeed important. These normative ideas are based solidly on historical experience. The history of British private-sector exploitation in the mining and steel sectors of Nova Scotia's economy had formed a deep bitterness and a powerful reaction against letting this happen again. The major issue at stake here was the power of the foreign multinational corporation over the future of the province. The experience of Dosco's attempt to secure large grants from the federal government and subsequent decision to pull out anyway did much to shape the 'political psychology' of the province. Further, the OPEC price increases and the perceived possibility of federal control of energy policy in Nova Scotia through Devco all contributed to a desire for the province to be more the master of its own energy destiny.

Some of the characteristics of strip mining seemed to call for special controls, because they made the industry vulnerable to irresponsible private-sector behaviour.[26] For

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24. The Evening News, New Glasgow, 6 December 1978. See also, John J. Laffin, 'Coal 2000: Nova Scotia's perspective', CIM Bulletin, July 1982, vol. 75, no. 843, pp. 113-15.
25. 'Strip Mining Engineering Proposals to be Submitted', Cape Breton Post, Sydney, 7 January 1978.
26. Nearly every government official, politician and businessman interviewed noted the importance of private sector abuses in the Nova Scotia economy to account for the creation of Novaco. Each referred to Dosco. Many of those interviewed - including private sector businessman - mentioned the easily exploitable nature of strip mining.

example, the amount of high quality readily accessible strippable coal in Nova Scotia is limited, and its use as reserve supply is viewed by the government as a stop-gap measure; there is, therefore, a need to control the production rate to meet government policy needs. Also, in strip mining it is possible to extract the coal nearest the surface, leaving still-abundant reserves behind as it becomes more expensive to mine the deeper coal. Hence, there was a real concern that private companies might come in, 'skim off the cream', pocket quick profits, and then pull out, leaving partially-stripped areas of higher-cost coal, as well as unemployment, in their wake. Finally, there were concerns with environmental issues and land reclamation.

Proponents and Opponents

In both its guises, as a government-sponsored private corporation and as a provincial Crown corporation, Novaco has maintained a low profile. Because of the way it was incorporated in each phase, and because of the dearth of established interests in strip mining, there was little strong opposition or strong support for Novaco in its creation stage. The Nova Scotia Department of Mines and the Regan government were its strongest supporters. The Department of Mines supported and indeed conceived the idea of Novaco as a Crown corporation, for administrative and political reasons. Being a relatively small organization itself, the department was anxious to be relieved of the responsibility for coordinating and overseeing strip mining in the province, and thus supported the creation of a separate entity to perform these functions. In addition, the department also favoured the creation of this Crown corporation for strategic reasons, as it would put at arm's length the politically vulnerable and sometimes unpopular decisions concerning strip mining operations.

While private-sector interests did not voice concern when Novaco was created as a Crown corporation, they did express some reservations about the use of a Crown corporation in the mining sector (in particular, such concerns were voiced by Brogan Strip Mining, and by the Mining Association of Canada). However, those reservations were lessened somewhat by the fact of Novaco's limited functions. For example, private sector interests would have been much more opposed to Novaco if it were an operating company; because it was not, however, they did not feel Novaco was competing with them. Further, they viewed favourably the

fact that Novaco was expected to operate under business criteria. Generally, the private sector interests argued that, as long as Novaco was maintaining a profit, remained simply an organizing entity, and was not a financial burden to the province, they were not opposed to its existence. One concern remaining was that the private companies which won Novaco's contracts might get special consideration from the province. Furthermore, private sector interests argued that Novaco was politically vulnerable, and that consequently it might be tempted to aid a faltering company under contract, in order to maintain its credibility.[27]

After initial concern about the role of strip mining in the province, the United Mine Workers basically supported Novaco. The United Mine Workers argued that, without an organizing entity like Novaco, private companies could strip coal in a disorderly, unplanned manner with no regard for subsequent unemployment. Further, the union believed that bargaining with a Crown corporation would be less difficult than with private firms, which lack political accountability.

Devco, the coal-producing federal Crown corporation, did not oppose the formation of Novaco. The two Crown corporations operate in essentially different spheres of coal mining, and the Regan government took pains to confirm that the strip mining operations would in no way interfere with Devco's deep pit operations.[28]

The Nova Scotia press coverage of the origins of Novaco seems to indicate media support for the idea of a provincial Crown corporation to coordinate and regulate strip mining production and markets. While the only editorials in the 1977-79 period that focus on Novaco are concerned with a controversy over the location of Novaco's headquarters (Halifax versus Sydney Mines), the press reports on Novaco carry a positive tone.

It is worth noting that, while Novaco was the creation of a Liberal provincial government, after 1978 the Conservative provincial government continued to utilize Novaco, and its involvement in the development of strip mining is alluded to in the Conservatives' energy program for Nova Scotia.

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27. Interviews.
28. See for example, 'Novacoal Office at Sydney Mines', Cape Breton Post, 9 September 1978, p. 20.

In 1981, Novaco and the Tidal Power Corporation became subsidiaries of another provincial Crown corporation, Nova Scotia Resources Limited. This provincial Crown corporation is viewed as an umbrella organization which will coordinate energy projects in the province. To date no changes have taken place in Novaco's operations.

Alternative Policy Instruments and Specific Decision Processes

Establishing Novaco in 1970 under the Companies Act meant that the creation of this vehicle could be realized without the time-consuming and possibly conflictive process which might ensue from legislative change and associated debate. The choice of instrument was therefore influenced by this short-term decision-making situation. From a government's point of view, the advantage of establishing a corporation under the Companies Act ensues from the opportunity which it gives the Cabinet to bypass the legislature in the process.

While the concept of pre-retirement leave to miners, the main issue in 1970, does not seem to have been a controversial issue, forms of government intervention were. During the 1968-70 period, there was considerable discussion in the Nova Scotia legislature regarding pre-retirement leave pension plans and other possible schemes and arrangements. Nowhere was there opposition to the plans themselves, but there was criticism, as we have seen, of earlier Crown corporation 'experiments'.

On the other hand, direct administration of those funds by the Department of Mines would have required a change in provincial legislation. Further, had the Department of Mines actually paid the pre-retirement leave pensions directly, this would have placed these pre-retired miners on the provincial payroll. Novaco therefore was created as a 'corporate shell' through which the provincial Department of Mines could receive funds from the province and then disperse them.

The government's decision in 1978 to turn Novaco into a Crown corporation, like the initial creation, involved very little outside consultation. As with its inception under the Companies Act as a government-sponsored private corporation in 1970, Novaco's conversion to Crown corporation status in 1978 was accomplished through an existing statute, the Finance Act, thereby bypassing debate in the legislature. The major initiator was the Department of Mines.

The provincial opposition Conservative Party was therefore not directly involved in the process.

It must be remembered that the only policy instrument utilized in the strip mining sector that was meant to co-ordinate and regulate production and marketing prior to Novaco was the special treatment of coal under the terms of the 1975 Mineral Resources Act. As discussed earlier, this gave the provincial government tighter control over strip mining through special leasing arrangements. Prior to Novaco, the only strip mining activities in the province were 'bootleg' operations and the short-lived Devco operations. Thus, there was no legal provincial strip mining activity for the provincial government to regulate. Taxation and royalties are imposed on the private strip mining operations now operating, but these instruments have not been utilized as a means of coordination, regulation, and market control.

Why did the province not institute more stringent regulations by which to control the private sector without the use of a provincial Crown corporation? Apparently there were considerations of economies of scale and control involved. By contracting out to private corporations, the government has a better sense of what is economically feasible and desirable in various projects. A provincial Crown corporation would provide a window function on the production side of the industry. Secondly, if a provincial Crown corporation could have the coal mined and make a profit, the stripped coal could arrive at the provincially-owned NSPC at a low cost.

There was no vehement opposition to the use of a provincial Crown corporation to oversee strip mining activities in the province. The private sector cautiously supported the use of such an entity. There was the feeling that no one private firm was really interested in strip mining because it is a short-term industry. There was also the fear in the private sector, however, that Novaco's functions could expand. The private sector would strongly oppose a provincial Crown corporation which actually operated mines. The rationale of the private sector was based upon fear of growth of government and instrusion into the private sector's sphere. Furthermore, the private sector feared that provincial Crown corporations in the mining resource sector would become 'welfare agencies', with social and political needs displacing concerns with a business rationale. One businessman argued he would support a provincial Crown corporation in the mining resource field only as long as it made a profit.[29]

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29. Interview.

Department of Mines personnel generally favoured the use of a provincial Crown corporation and indeed asserted that Novaco should actually operate strip mines directly. One senior official argued that the use of an actual operating company would allow more flexibility and would facilitate policy implementation, since strip mining is a risky industry with many unforeseeable pitfalls.

Accountability and Autonomy of Novaco

The Regan government did exhibit concern about the potential abuse, or at least uncontrolled growth, of a provincial Crown corporation in the mining sector. The limit on the size of Novaco's staff, the fact that Novaco must request permission from the Governor in Council to borrow money, and the balanced board of directors, all indicate that the Regan government sought to limit and control the provincial Crown corporation. Again, it is important to remember the Nova Scotia had a recent history of substantial fiascos in provincial intervention, for which the politicians had taken the blame.

Under Novaco's Articles of Association of 14 March 1978, its functions and operations are limited to those enumerated in the Articles. It seems that the provincial government was attempting to control any future escalation of the mandate of Novaco. Despite the ministerial assertion in 1978 that Novaco's functions had been expanded upon achieving Crown corporation status, its mandate was actually narrowed in some respects. Where its 1970 mandate allowed Novaco to 'carry on the business of a coal mining company in all its branches', the 1978 mandate allows Novaco to explore, develop, and mine near surface coal deposits in Nova Scotia for the benefit of Nova Scotia.[30] In this regard the articles set out that Novaco may undertake the following activities:

- evaluate and select potential mining sites;
- negotiate and contract with operators to mine such coal;
- undertake coal preparation;
- arrange for markets for such coal and enter into contracts for the purchase and sale of such coal;
- purchase or lease near surface mining equipment and to make such equipment available to operators on a lease basis;

30. Articles of Association, 14 March 1978.

- ensure and arrange for the reclamation of lands and to establish and maintain a reclamation fund;
- acquire by purchase, lease, or otherwise the title to any lands and buildings that are necessary, provided, however, that such lands shall be held only so long as required by the company for its authorized operation;
- act as agent of the province in respect to research into coal mining or uses of coal includng acting as the agent of the province in the negotiation of funding arrangements with other levels of government.

It is evident that Novaco was intended to be used as an instrument of public policy, in view of these functions in particular: acting as an agent of the province in research and negotiations; developing near surface coal deposits for the benefit of Nova Scotia; and maintaining a reclamation fund to be held in trust for paying the costs of reclamation of lands disturbed by near surface coal mining operations.

The order-in-council which approved the creation of Novaco restricted the size of Novaco's full-time staff to five people.[31] The intent of the province was to utilize Novaco only as a framework or organizing entity through which private sector operations as well as continuing coal and land reclamation projects could be closely regulated.

The primary function of Novaco was made clearer through press releases. Novaco's sole occupation would be overseeing the operations and negotiating with private companies to carry out projects. Novaco's creation as a Crown corporation was not 'a result of requests from private companies' but was instead a move to relieve the Department of Mines of its responsibilities associated with strip mining operations.[32]

Because Novaco had originally been established in 1970 under the provincial Companies Act, like a private firm, there was no legally required reporting relationship between the public corporation and the government. In practice, however, the Mines Minister was the one who answered any questions if they arose in the legislature and who communicates corporate information to Cabinet. Until a board of directors was elected in 1978, three officials constituted the core of Novaco. In the early years the president of Novaco

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31. Order-in-Council 78-265, 14 March 1978.
32. See 'Expansion of Crown Corporation Facilitates Development of Coal', Chronicle-Herald, Halifax, 5 April 1978.

was the Minister of Mines, with the Director of Administrative Services (Mines Department) and the Director's secretary serving as secretary-treasurer and support staff respectively. In 1974 this format was changed somewhat and the Deputy Minister of Mines replaced the Minister as president of Novaco. The provincial Cabinet selects the members of the board, who are appointed for two year terms, except the chairman who holds a three-year term. The board of directors was organized so that the provincial government filled half of the eight seats (Department of Mines - 2 seats; NSPC - 2 seats); private industry filled the other 4 seats.

In July 1979, the provincial government initiated an Energy Planning Program, and an Energy Planning Board was established under the chairmanship of the Minister of Mines and Energy. In December 1979, the provincial Cabinet issued the following policy statement: that Novaco Ltd., through private contractors, be designated as the sole developer of near surface coal in the province; and that no mines would be developed by Novaco unless such development conforms to the Energy Plan for Nova Scotia and unless the location of such a mine and the decision to proceed with development carries the approval of Cabinet. 'Thus', as John Smith points out, 'the mandate of Novaco has been very clearly defined through policy direction of the Government of Nova Scotia'.[33]

The energy planning process resulted in a report, 'Energy, a Plan for Nova Scotia', published in 1980. This report identified coal as the major opportunity for Nova Scotia to obtain a measure of self-sufficiency in energy supply with maximum economic benefits. Smith states that:

> within this context surface coal is looked upon as being available in the short term to bridge the shortfalls between existing underground production rates and the long lead times required to bring on major underground mines, and in the medium term to have properly engineered sites so that they could be brought to production in a few months, in the event of disruption of major coal producing facilities.[34]

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33. Smith, 'Novaco and the Nova Scotia Energy Plan', p. 4.
34. Ibid., pp. 5-6.

It seems clear that Novaco has been employed by Nova Scotia at various times over its existence as a vehicle in the development and implementation of coal policy, social welfare policy, environmental policy and energy policy.

6. CONCLUDING OBSERVATIONS

The primary purpose of this study has been to examine the origins of public enterprise at the provincial level of government in the mineral sector. The case studies presented in the three previous chapters have been examined in relation to the concepts and issues set out in chapter 1. Our intention has not been to develop a new conceptual framework but rather to take what we already know from the existing literature on Crown corporations in Canada and use it to illuminate the cases in the mineral sector. We have made no attempt to examine the effectiveness of the companies or projects in question. Our concern has been with origins rather than operations.

As we have proceeded from case to case in a cumulative narrative and analytical journey, the issues and factors that propel the decisions to create a public enterprise (or in the case of NEDCO, not to create a Crown corporation) become more repetitive, albeit always couched in the unique historical configuration of each province. In our brief concluding observations in this chapter it is not our intention to reiterate the full list of concepts and issues, but rather to offer more general overall conclusions about the case studies in the general light of the framework provided in chapter 1.

Historical Context

In an age when decision making purports to be a science and when there is often a presumption that a major choice - such as a decision to establish a public enterprise - should be informed by careful cost-benefit and other kinds of cerebral analysis, it is well to remember the importance of the broad historical context. Both decision makers and societies have memories and a capacity to learn. When one speaks of 'origins', one is often victimized by the view, or at least the implicit assumption, that things start de novo. They rarely do. The four enterprises studied reveal a collective process of learning about the nature of resource development in parts of the country where 'resources' are almost synonomous with economic development. The very meaning of 'resource development' evolved from the lessons of history, augmented by a strong disposition to find ways in which the private-sector view of development could be supported by or complemented by the ideas and actions of elected governments.

Thus, in the Novaco case there was the memory of the turbulence and instability of an era of private and foreign-owned coal development. In the Saskatchewan cases there was a dearth of private sector involvement in the mineral sector as a whole, in a province whose political history was forged in an overwhelming sense of dependence on other staple resources such as wheat. In British Columbia there had been a similar sense of resource dependence, albeit with a different configuration of resources. The roots of the small business-oriented and populist Social Credit government in the early 1950s were based on profound disatisfaction with the previous level of laissez faire development; this experience also led to the use of state enterprise.

The historical context is too often viewed as a 'soft' variable in the 'hard' science of decision making. Without it, however, most scientific analysis of the origins of political decisions is incomplete and may therefore be misleading.

The Public Policy Context

One obviously begins an analysis of the origins of public enterprise in the field of mineral policy by looking at mineral policy. Both public policy theory and the case studies just examined soon disabuse the observer of the existence of convenient watertight compartments into which public policy can be pigeon-holed. The cases studied here, all of which emerged in the 1970s, show the extent to which the public policy context embraced a wide range of policy fields. These included broad views of economic development, resource development, environmental policy, regional policy (both at the national level and within provinces), energy policy, and in a very real sense 'social' policy, as well as mining policy, coal policy, and so on. Therefore, both within and among these fields there exists a diverse range of contending ideas and rationales. We have stressed that it is a mistake to blur these purposes under the general proposition that the origins of public enterprise are a product of 'pragmatic' decisions. This is because the very notion of pragmatism too often implies that ideas are not at stake. They are.

It is in this context that one must also relate the intersecting role of federal policy as well as provincial policy. The case studies look at provincial enterprises, but at the same time they clearly reveal the federal presence. The

tension in these relationships and the contending ideas and rationales they embody was perhaps especially evident in the 1970s, when both provincial agressiveness and federal assertiveness produced competitive federalism at its peak. While we have examined recent (primarily post-1980) federal policy issues in a separate paper,[1] we have shown in concrete ways in the provincial cases how the policy context and hence the origins of public enterprise have been effected by the behaviour of the two levels of government as distinct interests. By interests, we mean institutions that have independent capacities to act. These capacities are rooted in the constitutional division of powers, where both levels have bases of leverage, but in the 1970s they were reinforced by partisan politics as well.

Not all the ideas and relationships were conflict-oriented, in part because each level simply had to recognize the base of power of the other. Thus the Novaco case involved a fairly cooperative relationship with Devco, the closely-related federal Crown corporation. On the other hand, the NEDCO case involved conflict with federal policy on ports, transportation, and regional development. There was not much conflict in the SMDC case in Saskatchewan, but there was a bitter dispute in the potash case, a dispute in which Ottawa joined the private firms who were opposing Saskatchewan's approach to new taxation of the industry.

The policy context is therefore both a product and a cause of a changed pattern, one that included both a more diverse interplay of ideas and a more complex configuration of interests. The intergovernmental relations and the public-private sector relations in the 1970s were no longer a 'one-on-one' relationship, but rather had evolved into multi-faceted relationships which at times included international aspects. Instead of federal-provincial relations and public-private sector relations as separate spheres, the reality was frequently a triad of intersecting bases of power. This increased complexity may have contributed to a proliferation of Crown corporations, in that both levels of government felt the need to have a full arsenal of instruments to deal with the broadened range of interests and powers that they faced. It also meant that public enterprises were perhaps more likely to arise, out of the ad hoc pressures of dealing with these relationships on a day-to-

1. Michael J. Prince and G. Bruce Doern, Federal Policy and the Role of Public Enterprise in the Mining Sector (Kingston: Centre for Resource Studies, Working Paper No. 31).

day basis, even if they might not have been the instruments that would have emerged on the basis of a cerebral process of designed decisions on measured cost-benefit calculations as to whether public enterprise was indeed the best approach to the problems of the day.

Ideologies and Political Parties

Our case studies indicate that governing parties of conservative, liberal, and socialist persuasion have established public corporations in the mining sector. Thus, public ownership is not necessarily an expression or reflection of socialist ideology. However, this does not mean that ideology is an insignificant factor in understanding the origins of public enterprise in the mineral sector. We have argued that the decision to establish Novaco was at least partly influenced by ideological preferences to limit foreign investment and influence in the Nova Scotia coal industry. The NECDO case study showed there was a strong ideological preference to ensure the development of the coal industry in British Columbia with public enterprise involvement via B.C. Rail. NECDO was not itself a public enterprise in any conventional sense, but it might well have been, had other Crown agencies not been available to serve the purposes of government. In the NECDO case we also saw that the Social Credit government's ideology led it to dismantle the NDP mineral taxation system, reduce the discretionary powers of the mines department, and delete the 'government participation' clause in the Mineral Act. In the Saskatchewan cases, we can certainly conclude that the public enterprise decisions were informed by ideological preferences for social ownership and economic planning. In addition, SMDC and PCS were designed to redistribute economic benefits and power from the private sector to the provincial government.

Instrument Choice and Specific Decision Processes

The case studies clearly demonstrate that mineral policy entails much more than tax laws and regulations that influence exploration, extraction, and processing, although these are the dominant instruments in this policy field. In addition, it is evident that private enterprise still predominates in most jurisdictions across Canada. The cases support previous studies which show that public ownership is, in general, <u>added</u> to an array of existing policy instruments. For

example, the NECDO case reveals that the northeast coal megaproject is in fact a complex bundle of instruments built upon a series of contracts, agreements, and relationships with various federal and provincial public enterprises and private interests. In the Saskatchewan case studies, it was dissatisfaction with the effectiveness of other policy instruments - particularly incentives, taxation, and regulation - to achieve policy goals which motivated that province's government to resort to public ownership. Thus, although, at the margin, decision makers can choose from an array of instruments as set out in chapter 1, they are not starting from a clean slate. The past array of instruments - e.g. taxation, regulations, subsidies, as well as some Crown enterprises - are more or less in place. There is therefore not complete freedom for the theoretical notion of choice between one instrument or another. To put it another way, existing instruments are an expression of past history, a history that does not go away. The complex set of interests involved in such decisions will not, up to a point, let the past array of instruments disappear, because all parties have some stake in them, one way or another.

The decision-making process for establishing public corporations is shown in the case studies to be an executive-dominated process. Novaco, for example, was incorporated under the provincial Companies Act and later reconstituted under the Finance Act. NECDO was established by an order-in-council of the B.C. Cabinet. In both of these cases, the legislative arena was virtually excluded from the decision process. Perhaps this approach is defensible given the modest size and role of both Novaco and NECDO. In Saskatchewan, both Crown corporations originated from party platforms and election campaigns. The public enterprise formation process in Saskatchewan included the legislature, to a greater degree than in our other provincial case studies. The SMDC was established under the Crown Corporations Act, while the intention to establish the PCS was announced in a Throne Speech and then involved two pieces of legislation.

Each province has, in formal terms, a distinct mineral resource policy-making process and a distinct pattern of politics surrounding mining policy. In the northeast coal case, for example, the decision to create the project coordination office was based on an elaborate and complex process of planning studies, interorganizational consultations, and project assessments. But the overall policy context does not allow a tight single process to unfold since mineral policy is not the only policy area that is involved.

As to the even more specific elements of the decision process - that is, those which deal with deadlines, personalities, and tactical considerations - the case studies reveal the numerous idyiosyncracies that one ought to expect. Many observers will argue that these are the 'real' causes of why a public enterprise mode was selected or not selected. Indeed, these are the short-term determinants, but to conclude that one can understand the origins of such enterprises on this basis alone is not justified. Nonetheless, there were in each case specific triggering events and factors of this kind. In the Novaco case it was the bureaucratic need to find a suitable vehicle to pay pensions to miners without putting them on the government payroll. In the NECDO case the decision not to use a formal Crown Corporation was partly a function of the government's ability to achieve its purposes by involving another Crown enterprise, B.C. Rail, in new functions. It was also partly due to the fact that it was a specific project that could be seen to have a distinct beginning and an end. The initial formation of SMDC was triggered by the opportunity to buy into a promising new development, when one of the private sector partners wanted out. The initial formation of PCS was a response to the inability of the government to persuade the private sector to develop a new mine.

It is also important in this context to remind the reader of our cautionary note about origins, set out in chapter 1 and reinforced by the detailed analysis of the case studies: while one can point to specific dates of creation, the case studies reveal in a very real sense more than one 'beginning' for three of the four enterprises examined. Novaco in 1970 was quite a different company than the one that obtained a new mandate in 1978. SMDC had in a sense two beginnings, one without the notion of compulsory joint ventures, and one with compulsion attached. Similarly, PCS began as a vehicle to operate a new mine, and later became an instrument of takeovers.

In general then, we conclude as we began in chapter 1, with a sense of reality about the tension between social science frameworks and explanations about the origins of any phenomenon, including public enterprise. Such origins are a long way from any elegant calculus of choice or single-variable 'law-like' pronouncements. There are obvious difficulties in ranking the determinants as causal factors, or in some instances even in showing a strong association between particular determinants and particular public enterprises. In fact, it is doubtful that any totally convincing ranking of causal factors or associated relationships could be achieved. Nonetheless, the case studies al-

low us to understand a broad range of policy subtleties and historical forces that have influenced the creation of public enterprises in the mineral field.

APPENDIX I

PUBLIC ENTERPRISE IN THE MINERAL RESOURCE SECTOR: A REVIEW OF THE EXISTING LITERATURE

The Mineral Resource Sector

In general terms, the concept of the mining sector used here refers to all those individuals, groups, and organizations involved in the exploration for and discovery, extraction, processing, and marketing of mineral resources. Mineral resources include the metallic, industrial, nonmetallic and structural minerals, petroleum and natural gas. A distinction is often made between fuel and nonfuel mineral resources.[1] However, in our survey of the literature, we include some studies on the origins of public enterprise in the fuel mineral resource field. This expanded version of the general concept of the mineral resource sector will provide the scope of our literature review. We shall not be examining the general literature on government enterprise, which is both extensive and expanding.[2]

Summary of Previous Studies

Public corporations in the mineral resource sector in Canada have not been overlooked in the social science literature. A number of studies have been done, especially by political scientists and students of public administration. Relative to other categories of public corporations (such as financial intermediaries), federal and provincial mineral resource enterprises are not such a 'badly neglected group.'[3] However, relative to the mining policy literature in general, direct government participation in mineral development has not been as closely documented as, for example, the trend towards higher royalties or other issues in the mineral resource sector.

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1. The Centre for Resource Studies has traditionally excluded consideration of petroleum and natural gas in its research program.
2. See, for example, Jean-Marc Alain, 'Public Enterprises: A Bibliography' in Andre Gelinas (ed.), Public Enterprise and the Public Interest (Toronto: Institute for Public Administration of Canada, 1978), pp. 215-69.
3. See Allan Tupper, 'The State in Business', Canadian Public Administation, vol. 22, no. 1 (1979), pp. 124-150.

The existing literature on public corporations in the mineral resource sector can be described in terms of sources and forms of analysis. Three main sources of material exist:

i journalistic sources, primarily newspaper and magazine accounts;
ii political sources, including ministerial statements, legislative debates, and government documents (e.g., royal commission reports, mines department annual reports);
iii academic sources, largely comprising journal articles, book chapters, and working papers.

In terms of analysis, most of the available empirical research takes the form of single case studies in single jurisdictions. Studies of mineral-resource state enterprises have been conducted at the federal and provincial levels of government. For the purpose of presentation, the studies in the scholarly literature will be summarized here by level of government, and will be presented in chronological order by date of publication.[4]

Federal Level

Despite the fact that governmental jurisdiction over mineral resources is mainly provincial under the Canadian constitution, several federal Crown corporations operate in and around this sector (particularly in coal, uranium, and petroleum), and some studies of them have been conducted.

As part of their survey of the administration and control of federal Crown corporations, Ashley and Smails included a 'detailed study' of the Dominion Coal Board (DCB), a departmental Crown corporation.[5] They explained

4. Studies have been included in this review only if their content was deemed applicable to our study. In some cases, where studies touched only briefly on mineral resource state enterprise, they are not included in this survey although they may be referred to elsewhere in this study. Additional information can be found in The Financial Post Survey of Mines and Energy Resources, the CIM Bulletin, The Canadian Mining Journal, the Canadian Mines Handbook, and the Canadian Minerals Yearbook, among other sources.
5. C.A. Ashley and R.G.H. Smails, Canadian Crown Corporations: Some Aspects of Their Administration and Control (Toronto: Macmillan, 1965), chapter 12.

the origins of the DCB in relation to 'the need for administrative machinery to deal with recurring coal shortages.' The functions of the Board are described, along with its membership, operations, and finances. The authors also consider the control of the DCB by government and parliament, from 1947, when the Board was established, to 1962, when they completed their research. They also briefly discuss the origins of the Eldorado Mining and Refining Ltd., a proprietary Crown corporation created in 1944, through the expropriation of a privately-owned company, to serve as the federal government's purchasing and sales agent for uranium.[6]

Miller, Olewiler and Richardson explore the issue of the financing of foreign mineral developments by Canadian Crown corporations.[7] In particular, they examine in detail the proposal by the Export Development Corporation (EDC) to arrange financing for the Cerro Colorado copper development in Panama. They also outline the powers, policies and practices of the EDC, which was established in 1969 to facilitate and develop the export of Canadian goods and services through offering investment guarantees, insurance, and loans to exporters of Canadian goods and services.

Tupper has chronicled the creation in 1967 of the Cape Breton Development Corporation (Devco), which was the result of the federal government's nationalization of Dominion Steel and Coal Company.[8] Tupper portrayed the formation of Devco as a case of 'public enterprise as social welfare', its mandate being to maintain employment in an already depressed regional economy and to diversify and develop the economy of Cape Breton.

Roy George also studied Devco, looking at the circumstances surrounding its creation; its objectives, capital resources, constraints, policies and methods; and its performance and achievement of its objectives over twelve

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6. Ibid., pp. 146-49.
7. C. George Miller, Nancy D. Olewiler and Peter R. Richardson, Cerro Colorado: A Case Study of the Role of Canadian Crown Corporations in Foreign Mineral Development (Kingston: Centre for Resource Studies, 1978), especially chapter 3.
8. Allan Tupper, 'Public Enterprise as Social Welfare: The Case of the Cape Breton Development Corporation', Canadian Public Policy, vol. 4, no. 4 (1978), pp. 530-46.

years of operation.[9] Whereas Tupper's study discusses the political forces at work around the time of its formation, George's emphasis is upon the economic and management aspects of the Crown corporation.

Pratt has analyzed the origins and early development of Petro-Canada, the federal government's national petroleum company.[10] Pratt traces the origins of Petro-Canada to the federal government's response to the world oil crisis in the early 1970s: 'a classic example of the Canadian state reacting to external instabilities by increasing its political control of the market-place.' In addition, Pratt reviews the parliamentary debates on Petro-Canada's incorporating legislation, analyzes the legislation itself, and explores the tensions between national and commercial interests in Petro-Canada's corporate strategy since its beginnings in 1976.

In a recent study of Canadian public enterprise, Gordon has included some historical accounts and case studies of federal companies operating in the mineral resource sector.[11] Gordon identifies four broad areas of government intervention: intervention for regional development purposes, intervention as bailing out private enterprises, intervention as pioneering ventures, and intervention for nation-building and rent-collecting. She provides some background and description of Petro-Canada as an example of a public corporation pursuing nation-building objectives.[12] A case study of Devco is presented as an illustration of state intervention as a bail-out, and a case study of Eldorado Nuclear is offered as federal intervention as pioneering venture.[13]

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9. Roy George, 'The Cape Breton Development Corporation' in Allan Tupper and G. Bruce Doern (eds.), Public Corporations and Public Policy (Montreal: Institute for Research on Public Policy, 1981), chapter 11.
10. Larry Pratt, 'Petro-Canada' in Tupper and Doern (eds.), ibid., chapter 3. Pratt has also analyzed the establishment of Syncrude, an energy resource enterprise owned by the federal government, two provincial governments and private investors. See his The Tar Sands (Edmonton: Hurtig, 1976).
11. Marsha Gordon, Government in Business (Montreal: C.D. Howe Institute, 1981).
12. Ibid., pp. 87-104.
13. Ibid., pp. 150-92.

Provincial Level

Fournier's study of the Quebec establishment was primarily concerned with business-provincial government relations in Quebec in the 1960-75 period.[14] 'This most important element of Quebec's economic policies in the 1960 to 1975 period was unquestionably the creation of a network of state enterprises operating in several industrial sectors.'[15] Among the principal Quebec enterprises examined by Fournier are the Quebec Steel Corporation (Sidbec), the Quebec Mining Exploration Company (Soquem), and the Quebec Petroleum Operations Company (Soquip). Each public enterprise is described in terms of origins, objectives, and main operations, including financing activities. Fournier concludes from his analysis that Quebec's state enterprises did not have a significant impact on the economic sector in which they operated, and that they conceived their roles in such a way as to make them primarily complements or adjuncts to private enterprise.[16]

Through its program of research and publication on mineral policy issues, the Centre for Resource Studies has sponsored and published a series of papers which present a detailed inventory of the mineral policies of selected provinces for the period 1945 to 1975. While the main focus of these working papers has to do with the disposition of mineral rights, taxation and regulations, the papers on Newfoundland, Quebec and Saskatchewan also discuss the origins of provincial public enterprise in the mining industry.

In a study of provincial mineral policies in Newfoundland over the period 1945-75, Prince notes that the provincial government created several Crown corporations in activities closely related to the mineral resource sector.[17] In 1951, the Newfoundland and Labrador Corporation (NALCO) was established to promote the exploration of mineral resources; however, in 1957 the government sold its shares in NALCO to a private company. The North Star cement mill and the Atlantic Gypsum plasterboard mill were also established in 1951, and the Newfoundland Steel Company in 1968. These three companies were Crown corpora-

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14. Pierre Fournier, The Quebec Establishment: The Ruling Class and the State (Montreal: Black Rose, 1976).
15. Ibid., p. 179.
16. Ibid., p. 195.
17. Michael J. Prince, Provincial Mineral Policies: Newfoundland 1949-75 (Kingston: Centre for Resource Studies, 1977), p. 13-15, 23 and 44.

tions, managed by private firms which had the option to buy the Crown corporation. The decision to establish these government enterprises was not arrived at from any ideological convictions concerning state ownership, but rather as a pragmatic response to the situation in Newfoundland, where no private-sector entrepreneur could be found to build and operate the plants. A 1973 agreement between the federal and provincial economic development departments led to a new agency, the Newfoundland and Labrador Development Corporation, created to improve the viability of small and medium-sized businesses, including mining operations in the province. In 1974, Brinco Ltd. agreed to sell to Newfoundland Industrial Development Corporation, another provincial Crown company, all share capital and water rights of Churchill Falls (Labrador) Corporation Ltd. and Gull Island Power Co. for $160 million. The Newfoundland government hoped to promote further development by fully utilizing the minerals and other natural resources in the areas held by these companies.

Silvana Guindon's study of provincial mineral policies in Quebec remarked that 'the most significant accomplishment of the Levesque ministry (in the period 1960-66, Rene Levesque was minister of natural resources) was the creation of Soquem.'[18] Guindon said that 'Soquem is in fact a study in itself'. Her study includes an appendix which provides a discussion of Soquem in terms of the reasons for its creation, its duties and objectives, its successes and failures. Soquem has spun off two affiliates, Louvem and Niobec.

Ronald Murray's study of mineral policies in Saskatchewan includes a discussion of the provincial government's increasing direct involvement in exploration, development and extraction of minerals through the operation of Crown corporations and joint ventures with private industry.[19] The province established Saskatchewan Minerals in 1945 as a sodium sulphate producer, as well as the Saskatchewan Mineral Development Corporation, the Potash Corporation of Saskatchewan and the Compulsory Joint Ventures Program in 1975. Murray characterizes these corporations as means of increasing the amount of provincial public capital invested in mineral activity.

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18. Silvana D. Guindon, Provincial Mineral Policies: Quebec, 1945-75 (Kingston: Centre for Resource Studies, 1977), p. 13.
19. Ronald C. Murray, Provincial Mineral Policies, Saskatchewan 1944-75 (Kingston: Centre for Resource Studies, 1978).

In an impressive study on the impact of provincial policy changes on decision making in the mineral industry, Owen and Kops examined the case of base metal exploration in Manitoba over the period 1969-77.[20] One of the significant policy changes examined by Owen and Kops was the establishment of a provincial Crown corporation, Manitoba Mineral Resource Limited. They consider the rationale for and the consequences of this Crown corporation, for both public and private sector decision makers in the mineral exploration process. They found that the identity of the decision maker changed; that decision options were reduced for private managers and expanded for those in the public sector; that criteria used by private managers continued to be basically economic, while the decision criteria applied by public managers were more socially oriented; and that the potential payoffs for private companies for successful exploration were substantially reduced by changes in federal and provincial taxation.

In a 1980 study of the theory and practice of privatization, T.M. Ohashi described the origins of the British Columbia Resources Investment Corporation (BCRIC).[21] Ohashi outlines in considerable detail the story of the BCRIC and characterizes it as a successful example of privatization in practice. Ohashi first discusses the political events behind the BCRIC affair: the 1972 provincial election, the New Democratic Party nationalizations over the period 1972-74, media reaction, and the 1975 provincial election. Ohashi then examines the actual privatization process of distributing shares in public enterprises. The BCRIC Act (Bill 87) is discussed, as is the method of selection of the BCRIC board of management, and the announcement and administration of the share giveaway is described.

Pierre Fournier has examined at some length the overall objectives and performance of state corporations in Quebec

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20. Brian E. Owen and W.J. Kops, The Impact of Policy Change on Decisions in the Mineral Industry: The Case of Exploration in Manitoba, 1969-77 (Kingston: Centre for Resource Studies, 1979).
21. T.M. Ohashi, et al., Privatization, Theory and Practice: Distributing Shares in Private and Public Enterprises (Vancouver: The Fraser Institute, 1980).

in the 1960s and 1970s,[22] and the specific objectives of the Quebec government's direct involvement in the asbestos industry. Fournier examines the major legislation dealing with the creation of the National Asbestos Corporation, and offers a preliminary evaluation of the nationalization of Asbestos Corporation, including some social and political implications of the Quebec government's intervention in the mining industry.

In their work on the Potash Corporation of Saskatchewan (PCS), Jean Kirk Laux and Maureen Molot have examined why the provincial government entered the potash industry and why the mode of state enterprise through takeover was chosen.[23] They also underline the factors which allowed PCS to succeed in running a mining business for profit; they delineate the complex power relations in the government/state-corporation/private industry triangle; and they assess the performance of PCS in terms of its original goals and its beneficiaries.

Theoretical Studies

In surveying the literature on public enterprise in the mineral sector in Canada, some recent theoretical contributions must also be acknowledged and briefly described. Arlon R. Tussing has examined the role of public enterprise generally, and identifies 'some of the considerations involved in using governmental enterprise to foster greater control by the citizens of Canada ... over their own mineral industries.'[24] Tussing's view is that public ownership of pro-

22. See Pierre Fournier, Les sociétés d'État et les objectifs économiques de Québec: une evaluation préliminaire (Québec: Office de planification et de développement du Québec, 1979); and Pierre Fournier, 'The National Asbestos Corporation of Quebec', in Allan Tupper and G. Bruce Doern (eds.), Public Corporations and Public Policy in Canada, chapter 10.
23. See Jeanne Kirk Laux and Maureen Appel Molot, 'The Potash Corporation of Saskatchewan', in Tupper and Doern (eds.), Public Corporations and Public Policy in Canada, chapter 5. See also Maureen Appel Molot and Jeanne Kirk Laux, 'The Politics of Nationalization', Canadian Journal of Political Science, 12 (June 1979), pp. 227-58.
24. Arlon R. Tussing, 'The Role of Public Enterprise', in M. Crommelin and A.R. Thompson (eds.), Mineral Leasing As An Instrument of Public Policy (Vancouver: University of British Columbia Press, 1977), pp. 163-74.

ducing mineral operations is not the most effective way of accomplishing the social goals for which this instrument is currently being advocated. After reviewing various rationales for public enterprise, Tussing suggests that current Canadian interest in state ownership in the mineral industries 'rests in part upon the notion that mineral extraction can indeed be very profitable, and that unearned profits (rents) ought to be controlled and disbursed in socially approved ways.'[25] In addition, Tussing writes: 'The hard core of Canadian interest in public enterprise today seems to stem, not from a perceived shortage of capital and entrepreneurship (much less an ideological opposition to capitalistic enterprise as such), but from a perceived surplus of foreign capital and entrepreneurship'.[26]

Nonetheless, Tussing argues that state enterprise in mineral development and production 'is unlikely to be as effective a device for maximizing those rents as the combination of a leasing system that takes full advantage of competition among private firms ... and an appropriate tax system.'[27] Tussing therefore concludes with some suggestions for the structure and policy of public corporations in the mineral industry, 'aimed at combining some of the best features of government and private enterprise'.

In a comment on the article by Tussing, economist A. Milton Moore has argued that 'the use of Crown corporations to conduct some of the exploration and development in all branches of mining would have some advantages', although he agrees with Tussing's concern of keeping public companies efficient and performing the function for which they were created.[28] In contrast, economist Leonard Waverman, in another comment on the Tussing article, is far more confident in advocating a role for public enterprise in the resource industries.[29] Moreover, Waverman disagrees with Tussing's suggestions that public enterprises should act exclusively as private enterprises. Waverman states that government enterprises should operate not only as private companies in the mineral resource sector but also as instruments of public policy.

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25. Ibid., p. 167.
26. Ibid., p. 169.
27. Ibid., pp. 168-169.
28. A. Milton Moore, 'Comments', in Crommelin and Thompson, Mineral Leasing, p. 176.
29. Leonard Waverman, 'Comments', in Crommelin and Thompson, Mineral Leasing, pp. 177-181.

Concluding Observations

In an impressive review article on the literature on Canadian public enterprise, Allan Tupper recently wrote: 'Most of the literature on public enterprise is descriptive and too narrowly conceived. Its most venerable theme is the issue of political control and public accountability, a focus which generally ignores explicit discussion of political conflict, the interests served by governments, the behaviour of policy-makers and the state's role in modern economies'. Tupper pointed out many gaps in our knowledge of the public enterprise sector in general. These include:

- an acute absence of persuasive interpretations of the growth of modern public enterprise;
- an unfortunate neglect of mixed enterprise, other quasi-public agencies and their underlying politics;
- a limited understanding of the intricate and dynamic relationships between public corporations, governments, legislatures and the private sector;
- a deplorable lack of studies on the political and economic impact of government enterprise, its effectiveness and its roles in different jurisdictions.[30]

Do these observations apply to the literature on public enterprise in the Canadian mineral resource sector? Table 5 provides a listing of the works we have surveyed, classified in terms of author, jurisdiction, agency, focus of inquiry, and methodology. Several comments can be made regarding the general features of this literature. Scholars have paid attention to mining public enterprises at both the federal and provincial levels of government. The literature on public corporations in the Canadian mineral resource sector is fairly recent, most works only appearing since the late 1970s. Most of this literature is descriptive in its methodology, although several studies also contain some critical and political analysis. Several conceptually sound and empirically rich case studies have been written. For example, the works of Fournier, George, Laux and Molot, and Pratt all consider, in various ways, such issues as the interests served by government, the dynamics of corporate policy-making, and the impact of public enterprise on economic and political life. However, comparative studies of public corporations in the mineral sector across jurisdictions (interprovincial, federal-provincial, or Canada-foreign country comparisons) or sectors (public-private) are not prominent in the Canadian literature.

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30. Allan Tupper, 'The State in Business', p. 149.

Table 5

PUBLIC CORPORATIONS IN THE CANADIAN MINERAL SECTOR: A SUMMARY OF PREVIOUS STUDIES

Study	Jurisdiction	Agency	Focus of Study	Method
Ashley & Smails (1965)	Federal	DCB; Eldorado Mining	Origin Organization Control	Descriptive
Miller et al. (1979)	Federal	EDC	Origin Organization Operation	Descriptive
Tupper (1978)	Federal	Devco	Origin	Descriptive-analytical
George (1981)	Federal	Devco	Origin Organization Operation Outputs	Analytical
Pratt (1981)	Federal	Petro-Canada	Origin Operation Outputs	Descriptive-Analytical
Gordon (1981)	Federal	Petro-Canada Eldorado Nuclear Devco	Origin Operation	Descriptive-Analytical
Fournier (1976)	Quebec	SIDBEC; SOQUEM; SOQUIP	Origin Operation Outputs	Descriptive
Prince (1977)	Nfld.	NALCO; North Star; Atlantic Gypsum; Nfld. Steel Co.; Nfld. and Lab. Development Corp.; Newfoundland Industrial Development Corp.	Origin	Descriptive

Guindon (1977)	Quebec	SOQUEM	Origin Operation Outputs	Descriptive-analytical
Murray (1978)	Sask.	Saskatchewan Minerals; SMDC; PCS	Origin	Descriptive
Ohashi (1980)	B.C.	BCRIC	Origin	Descriptive
Fournier (1981)	Quebec	National Asbestos Corp.	Origin Operation Impact	Descriptive-analytical
Laux and Molot (1981)	Sask.	PCS	Origin Operation Relations Outputs	Descriptive-analytical

With respect to focus of inquiry, the literature on mining-sector public enterprise has concentrated on the establishment of public enterprises, including their rationale and objective. Thus, considerable attention has been given to why governments have turned to public enterprise in the mining industry, relative to public ownership in other sectors of the economy. Various interpretations of the origins of public mining corporations are evident in the literature. Some of the studies have also explicitly examined the organizational behaviour and performance as well as outcomes and impacts of public corporations. It is interesting to note that only a few studies pay much attention to the issues of legislative scrutiny, executive control, and corporate autonomy, and the relationships between them. This is surprising, in view of the fact that most analyses of public corporations are preoccupied with the classic question of the relation of these agencies to the governments and legislatures which created them. Moreover, only a few studies of mineral-sector public corporations describe in detail their organizational and administrative characteristics.

Aspects of organizational structure and behaviour which do not appear to be satisfactorily considered in the literature, but which are particularly important for an understanding of public corporations, include the perceptions of participants in and around such corporations, the govern-

mental setting in which the corporations are located, relations between public and private corporations, the various types of public enterprise in actual use, and the similarities and differences among and between these types.

In summary, the existing material on public corporations in the mining sector reflects an uneven emphasis. There is a dearth of empirical research on the policy and organizational dynamics of public corporations in this sector in various jurisdictions across the country and their broader implications. What we do know of such public agencies in the mineral resource sector is fragmentary, non-comparative, and not always systematically organized. It is hoped this study will help to overcome these weakness by offering an overview of several public mining corporations established in a number of jurisdictions, an overview that is descriptive, analytical and comparative in approach.

APPENDIX II

FEDERAL AND PROVINCIAL GOVERNMENT PARTICIPATION IN MINERAL RESOURCE ENTERPRISES

This appendix provides basic information on government participation, in the form of public enterprise, in the Canadian mineral industry. Thus we enumerate the federal and provincial public corporations which exist in the energy and mineral sectors of the Canadian economy. In addition, a second purpose is to identify and to summarize the wide range of intervention rationales or normative arguments which have been used to justify the direct involvement by the federal and provincial governments with mineral ventures.

Federal and Provincial Public Enterprises Involved in Mining

'Historically', Jean-Paul Drolet points out, 'mineral development in Canada has resulted almost entirely from the efforts of private enterprise, and the policy has been to leave exploration and development to private initiative.'[1] Indeed, in a 1963 paper on mineral development policy, Keith Buck, the Chief of the Mineral Resources Division in the old federal Department of Mines and Technical Surveys, described Canadian policy in the following way:

> The development of a nation's mineral resources is an unending challenge calling for close co-operation between government and private industry. Under the free enterprise system both the public and the private sectors have functions that are essential to the orderly and continuous growth of a healthy mining industry.
>
> Government must supply the base maps from which an intelligent prospecting or exploration program can be organized; it must establish regulations under which title may be obtained and mineral deposits exploited; it must provide the

1. Jean-Paul Drolet, Government Participation in Mineral Ventures in Canada (Ottawa, June 1977), p. 4. For an illustration of this policy, see W. Keith Buck, Mineral Development Policy (Ottawa: Energy, Mines and Resources, March 1963).

> laboratories and scientists necessary to promote processing and testing of minerals; it must devise an educational system designed to provide scientists, engineers and prospectors to serve the industry; it must provide the stable political climate and equitable taxation policies necessary to encourage the investment of capital required to develop the nation's mineral resources.
>
> Private industry must supply the knowledge and capital to explore, develop and exploit the mineral deposits. These activities in a particular area will probably exceed in detail the scope of government programs.[2]

The traditional philosophy or 'paradigm' in Canadian mineral policy therefore held that the role of government was to provide financial incentives and technical services conducive to the orderly and continuous growth of the private mining industry and to enable private firms to obtain the recovery of their capital investments.[3]

'Only rarely have any of the eleven senior Canadian governments become intimately involved in mineral development or exploitation', noted Buck in his 1963 paper.[4] At the federal level, four Crown corporations were established during World War II that dealt with certain strategic minerals: Wartime Metals Corporation, Wartime Oils Limited, Abasand Oils Limited, and Eldorado Mining and Refining Limited. In addition, there was the Dominion Coal Board. At the provincial level, Saskatchewan Minerals was formed in 1945, concerned with the production and marketing of sodium sulphate, and for a short period during the 1950s the Newfoundland Government was directly engaged in mineral exploration and the operation of a gypsum mine. Buck found that this list represented the full extent of direct government involvement in mineral exploitation in Canada. He concluded that:

> During 1961, the total dollar value of all production from government exploitation was about $27 million, or one percent of Canada's mineral production - a minor percentage and one which

2. Buck, Mineral Development Policy, p. 3.
3. Ibid., p. 1.
4. Ibid., p. 11.

> results largely from strategic necessity. Less developed nations, as with more developed nations, have limited financial resources, whether the resources be drawn from domestic taxpayers or raised by borrowing. In such situations, there is much benefit in creating a national climate that will attract private domestic and foreign capital into mineral exploration and development, rather than using precious public funds on such developments.[5]

However, no longer is direct government participation in mining and oil enterprises the 'rare exception' in Canada. The federal government and most provincial governments are now more deeply and directly involved in mineral development. The limits of direct government intervention in mineral exploitation have been significantly extended over the last 20 years. This trend toward greater state participation in the mineral resources sector is demonstrated by the fact that there are now at least 21 federal and 52 provincial public enterprises of various types involved in mineral related ventures in Canada.[6]

Government agencies and other government corporate interests participating directly or indirectly in mineral ventures (fuel and nonfuel resources) include the following:

Federal

Canada Development Corporation
Canadian Commercial Corporation
Canadian National Railway Company
Cape Breton Development Corporation
Eldorado Nuclear Limited
Eldorado Resources Limited

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5. Ibid., p. 12.
6. This inventory is based on Drolet, Government Participation in Mineral Ventures in Canada; Christopher Green, Canadian Industrial Organization and Policy (Toronto: McGraw-Hill Ryerson, 1980), table 9-3; Vining and Botterwell, 'An overview of the Origins, Growth, Size and Functions of Provincial Crown Corporations; appendix II; and Government of Canada, Treasury Board, Crown corporations and other Canadian Government Corporate Interests (Ottawa: Minister of Supply and Services, 1982).

Export Development Corporation
Federal Business Development Bank
Nanisivik Mines Limited
National Harbours Board
Panarctic Oils Limited
Petro-Canada Exploration Inc.
Petrosar Limited
Polar Gas Project
Polysar Limited
Syncrude Canada Limited
Uranium Canada Limited

Provincial government enterprises participating in mineral ventures in Canada include the following:

British Columbia

B.C. Coal
B.C. Hydro and Power Authority
B.C. Petroleum Corporation
B.C. Rail

Alberta

Alberta Oils Sands Pipeline Limited
Interprovincial Steel and Pipe Corporation Ltd.
Pan-Alberta Gas Ltd.
The Alberta Energy Company

Saskatchewan

Interprovincial Steel and Pipe Corporation Ltd.
Potash Corporation of Saskatchewan
Saskatchewan Minerals
Saskatchewan Mining Development Corporation
Saskatchewan Oil and Gas Corporation
Saskatchewan Power Corporation

Manitoba

Manitoba Development Corporation
Manitoba Hydro Electric Board
Manitoba Mineral Resources Limited

Ontario

Ontario Energy Corporation
Ontario Energy Resources Limited
Ontario Hydro
Suncor Inc.
Trillium Exploration Corporation

Quebec

Société Québécoise d'Exploration Minière (SOQUEM)
La Société Minière Louvem Inc.
Niobec Inc.
Seleine Inc.
INI-SOQEUM
Société Québécoise d'Initiatives Petrolières (SOQUIP)
Sidbec-Dosco Limited
Sidbec-Normines Limited
General Investment Corporation
Hydro-Quebec
Société de Développement de la Baie James
National Asbestos Corporation (SNA)

New Brunswick

Grand Lake Development Corporation
The New Brunswick Coal Company
New Brunswick Development Corporation
New Brunswick Electric Power Commission

Newfoundland

Churchill Falls (Laborador) Corporation Limited
Newfoundland and Laborador Development Corporation
Newfoundland Industrial Development Corporation
Newfoundland Laborador Power Corporation
North Star Cement Corporation

Nova Scotia

Cansteel Corporation
Industrial Estates Limited
Novaco

Nova Scotia Power Corporation
Nova Scotia Resources Limited
Sydney Steel Corporation

A number of points can be made about federal and provincial government participation in the mineral industry. State participation in mineral development has become quite common in many countries and, by international standards, governments in Canada are relative latecomers to direct involvement with mineral ventures.

Many of the new public enterprises represent a blend of public and private investment. 'These may result in stronger corporations responsive to both national and regional needs. The present political climate seems to favour such involvement.'[7] Some new public ventures involve acquisitions of existing assets as well as participation in joint ventures. Table 6 shows the major public and private corporate acquisitions in the fuel minerals sector since the introduction of the National Energy Program (NEP) in October 1980. Table 7 shows the dominant corporations in the Canadian oil and gas sector as of 1981. One of the Canadianization goals of the NEP has been a significant increase in the level of public ownership in this sector by 1990. Substantial progress has already been made, and further acquisitions for public sector ownership may take place before the end of the decade.

By contrast, table 8 shows the dominant corporations in the Canadian nonpetroleum minerals sector and table 9 the foreign control ratios for the nonfuel sector, 1969-78. The substantial reduction in foreign control reflects, in large part, increases in provincial public sector control through takeovers and capital investment activity.

Since the first direct federal and provincial government involvements with mineral ventures in the 1940s, there has been a proliferation of public corporations organized across the country in every jurisdiction except Prince Edward Island. There are currently about 70 Canadian public enterprises and other public corporate interests involved in some way in the minerals sector in Canada, in one or all stages of the mineral system. Many of the federal enterprises are in the petroleum sector, and as the recent mineral policy

7. Drolet, Government Participation in Mineral Ventures in Canada, p. 12.

Table 6

MAJOR CORPORATE ACQUISITIONS SINCE OCTOBER 1980

Name of Acquiring Company	Acquisition Date	Company Acquired	Purchase Price ($ million)
Petro-Canada	Feb. 1981	Petrofina	1,450
Sulpetro	April 1981	CanDel Oil Co.	536
United Canso Oil and Gas	April 1981	Great Basins Pet.	164
Dome Petroleum	June 1981	Hudson's Bay Oil and Gas (52%)	2,000
Fairweather Gas	June 1981	Alamo Petroleum	213
Fairweather Gas	June 1981	Amax Petroleum	
Husky Oil	June 1981	Uno-Tex Petroleum	371
Drummond Petroleum	June 1981	Union Texas of Canada	101
CDC	June 1981	Aquitaine Company of Canada	1,600
Turbo Resources	July 1981	Merland Explorations (50.75%)	132
Ontario Energy Corp.	Oct. 1981	Suncor (25%)	650
Oakwood Petroleum	Oct. 1981	Quasar Petroleum (81%)	43
Aberford Resources	Feb. 1982	Marathon Petroluem Canada	265
		Pan Ocean Oil	
Francana Oil and Gas	May 1982	Sceptre Resources	150
Total value of purchases			$7,675
Total change in Canadian ownership to date			6.72%
Total change in Canadian control to date			10.83%

Source: The NEP: Update 1982, p. 48.

Table 7

THE LARGEST OIL AND GAS PRODUCING COMPANIES AS OF DECEMBER 1981

Rank	Foreign Controlled	Canadian Controlled
1	Imperial	
2	Gulf	
3	Texaco	
4		Petro-Canada[a]
5	Shell	
6	Amoco	
7		Dome[b]
8	Mobil	
9	Suncor	
10	Chevron Standard	
11		Pan Canadian
12		Canterra[c]
13	Canadian Superior	
14	Canada Cities	
15		Norcen

Source: The NEP: Update 1982, p. 49.

[a] Includes Petrofina.
[b] Includes Hudson's Bay Oil and Gas.
[c] Includes Aquitaine, CDC Oil and Gas, and Texasgulf.

discussion paper pointed out, 'Public ownership in the mineral sector is not especially significant at the federal level'. At the provincial level, public ownership and/or participation in the mineral sector is most significant, in terms of number of corporations, in Quebec, with 12 and Saskatchewan with 8. Most other provinces have three or four or five public corporations directly or indirectly involved in the mineral system. Moreover, additional public enterprises in other sectors of the economy - for example, energy, transportation, finance, and marketing - are also directly or indirectly involved in the mining sector.

Intervention Rationales

What is the case for the socialization or government ownership of or participation in mineral resource ventures? We shall attempt here to review the main appeals made for public enterprise in the Canadian mining sector.

Table 8

DOMINANT CORPORATIONS IN THE CANADIAN NONPETROLEUM MINERALS SECTOR

Company	Estimated Canadian ownership (percent)	Control
Inco	60	U.S. and Canadian management (voting stock very widely held)
Noranda	85	Brascade Resources owns 37%
Cominco	80	Canadian majority control via Canadian Pacific Enterprises (54%)
Kidd Creek Mines	100	CDC owns 100%
Hudson Bay Mining and Smelting	45	Effective foreign control via Anglo American Group (43.8%)
Rio Algom	30	Foreign majority control held by Rio Tinto Zinc (66.6%). Canadian Pacific Enterprises also owns 9.4%
Falconbridge Nickel	60	Effective foreign control (37%) held by Superior Oil Corp. via 58% owned subsidiary McIntyre Mines Limited
Sherritt Gordon	55	Effective foreign control held by Newmont (39.6%)
Denison Mines	80	Effective Canadian control held by Roman Corp. (34.1%). Dome Group also owns 10.1%
Teck Corp.	70	Canadian majority control held by Copperfields Mining Corp. (51%). Metallgesellschaft of West Germany also owns about 19%
Alcan	40	Canadian management control. Stock widely held by U.S., Canadian and overseas investors

Source: This table is derived from Mineral Policy: A Discussion Paper, p. 60, which was largely based on Statistics Canada CALURA data (1979), with some adjustments.

Table 9

FOREIGN CONTROL RATIOS FOR NONFUEL MINING SECTOR (ASSETS)[a]

Year	Foreign control proportion (%)
1969	60.2
1970	62.3
1971	62.3
1972	48.2
1973	47.4
1974	46.7
1975	46.7
1976	44.4
1977	42.1
1978	40.0

Source: Mineral Policy: A Discussion Paper, p. 60, based on data from Statistics Canada (CALURA).

[a] Excludes coal and iron and steel mills, includes U_3O_8.

Anthony Scott has identified seven arguments which might be used to support the socialization of natural resource in order to achieve the policy objective of conservation.[8]

1. **Emotionalism.** This rationale argues that natural resources legally and/or morally belong to the people and should be for the equal benefit of all the people. The wasting assets release liquid capital which may migrate from the country, leaving the local population high and dry. Socialization of the proceeds would mean capital would automatically 'accrue to the public account and be available for schemes of social welfare'. In large part, this emotional argument for nationalization is a means of income redistribution.

2. **Idealism.** This rationale contends 'that if all industry were socially owned and managed, managers could work

8. Anthony Scott, Natural Resources: The Economics of Conservation (Toronto: McClelland and Stewart, 1973), pp. 139-148.

to some rule by which factors would be allocated where they would do the most good, the things consumers want most would be produced in the greatest number, and so on'.

3. **Scale.** This rationale suggests that socialized industries can often achieve advantages of scale. 'Further, it might be said that a nationalized corporation should never find itself short of capital and/or liquidity, a difficulty that may force a private firm to deplete its stock of resources. Socialized firms can operate on a large scale, and so achieve economies of operation which would make it cheaper and simpler to exploit low-grade mineral deposits...'.

4. **Simplicity.** If private firms are failing to provide the less profitable, but perhaps equally socially-beneficial, services as well, then socialization can ensure that those unprofitable services are provided, and there is no need for subsidies, regulations and enforcement systems to 'regiment' private enterprise. The simplicity of state enterprise is substituted for complicated complementary arrangements.

5. **Economy.** Some authors have contended that the nationalization of resource enterprises would permit the state to obtain a given degree of conservation with the minimum amount of outlay from public funds. Costs are reduced because a government does not have to make money payments to private firms in order to conserve the resources.

6. **Permanence.** Socialization may be a useful way of achieving permanent stewardship. Crown corporations have an alleged superiority over casual owners of natural resources in that they have a continuous business and long tradition in managing natural resources.

7. **Research.** This argument suggests that state organizations (and the socialization of management or property) are needed to promote and provide technical research and development in natural resource use.

Scott states that the socialization of natural resources 'presents no outstanding advantages from the conservation standpoint that are not also obtainable from other forms of management.'[9] On the question of holding natural resources

9. Ibid., p. 156.

in public ownership, Scott concludes: 'The decision should be made on the basis of the ideology of the community in question - the usual grounds for liking or disliking socialism apply here as well as to other industries. There is nothing unique about natural resources, even replaceable natural resources, which casts new light on this old controversy.'[10]

Arlon R. Tussing provides an interesting discussion of the case for government ownership of natural resource stocks and of producing enterprises, as well as the current Canadian interest in state enterprise in the mineral industries.[11] Tussing notes three classical grounds for government ownership of natural resources:

- the intrinsic value of any resource in its natural state should not be privately appropriated (this is similar to Scott's emotionalism rationale);
- the desire to control external costs or capture external benefits of their exploitation;
- the expected divergence of private capital costs from the social rate-of-time preference is said to result in too rapid or too slow development of the resource.

Regarding productive enterprises, Tussing notes three main economic rationales for government ownership. 'First is the use of the state to establish or maintain productive activity that would not be profitable as private enterprise, but whose external benefits are deemed to justify a subsidy out of the public exchequer.... State ownership ... may well make a subsidy more palatable to the public because it does not conspicuously enrich (or appear to enrich) a few private entrepreneurs.'[12] Thus, public ownership can be a vehicle for subsidization and the creation of 'public goods'.

The second economic rationale for public enterprise 'is the perceived inability of private business, because of the great size or risk of the venture in question, to assemble sufficient capital'. State initiative is seen as necessary to take advantage of scale economies or to overcome high risk

10. Ibid., p. 148.
11. Arlon R. Tussing, 'The Role of Public Enterprise', in Michael Crommelin and Andrew R. Thompson (eds.), Mineral Leasing As An Instrument of Public Policy (Vancouver: University of British Columbia Press, 1977), pp. 163-174.
12. Ibid., p. 164.

thresholds. The premise is that only the state can mobilize resources on the desired scale.

The third economic rationale is associated with the circumstances in which a private enterprise holds monopoly power and/or exceptionally rich natural resources, either of which can produce substantial 'unearned profits' or rents. 'Government ownership is one means either of preventing monopoly exploitation of consumers (or monopsony exploitation of workers and sellers) or of collecting for the public treasury monopoly profits or resource rents that would otherwise be captured by the private owners.'[13]

Turning to the mining sector, Tussing suggests that Canadian interest in state enterprise in the mineral industries rests partly upon the belief that mineral extraction can be very profitable, and that 'unearned profits' (rents) ought to be controlled and disbursed in socially approved ways. 'This attitude is sometimes experienced as a concern whether the people of the nation or of the province, who are the nominal owners of its natural resources, are receiving as high a return for the products of their land as they might be. One issue is, in short, whether the state is effectively maximizing its revenues from disposal of minerals.'[14]

The other major rationale for Canadian state enterprise in the business rests upon nationalism and concerns the policy of Canadianization - fostering Canadian equity and enterprise in the mineral industries. As Tussing puts it:

> The hard core of Canadian interest in public enterprise today seems to stem not from a perceived shortage of capital and entrepreneurship (much less an ideological opposition to capitalistic enterprise as such), but from a perceived surplus of foreign capital and entrepreneurship. The problem, it seems, is to assure that mineral development (and, presumptively, related activities like oil refining or oil and gas transportation) are under the control of Canadians ... rather than great multinational (read United States) corporations.[15]

Certainly, as the NEP illustrates, public enterprise is part of the federal government's policy to 'Canadianize' key sectors of the economy.

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13. Ibid., p. 165.
14. Ibid., p. 167.
15. Ibid., p. 169.

Professor A. Milton Moore has suggested another reason for government ownership of mining companies, 'that sometimes government full or partial ownership of exploration companies may facilitate the achievement of or be necessary to achieve a socially desirable sequence and timing of the exploitation of mineral deposits.'[16] Moore also argues that the use of Crown corporations to conduct some of the exploration and development in all branches of mining would have the following economic and political advantages.

> ...it might be advantageous to have a Crown corporation enter the industry's exploration and development stage in a small way to provide information, gain experience, and provide an alternative if private industry's price becomes unattractively high.
>
> In addition, it would be politically advantageous to have a Crown corporation in the exploration business. Exploration activity fluctuates for a variety of reasons, and it is often open to a company president or a newspaper editorial writer to ascribe a decrease in activity to burdensome taxation, exorbitant royalties or other charges for the Crown's mineral rights, or the government's hostility to private enterprise. A Crown corporation could take up some of the slack when private exploration activity decreased.
>
> Matters do not appear to be under the same control with respect to other mining. The provincial government appears to have been only partially successful in its endeavour to capture the lion's share of the windfall element of the economic rents. If the government had some Crown corporations to turn to as an alternative, it would be in a stronger bargaining position to resist the attempt of private companies to retain the more favourable terms they used to enjoy.[17]

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16. A. Milton Moore, 'Comment', in Crommelin and Thompson, Mineral Leasing, p. 174.
17. Ibid., p. 175.

Two other accounts of the normative reasons for public enterprise formation can be briefly mentioned. Marsha Gordon has suggested that government intervention in business has been for the following reasons: regional development, bailing out private enterprises, nation building, rent collecting, and as pioneering ventures.[18] Marsha Chandler has categorized provincial public enterprises into three types, based upon their main objective and motivating force.[19] One type is redistributive Crown corporations which aim to control or shape the economy through the redistribution of benefits or the deconcentration of power. The second type is nationalistic Crown corporations which are intended to defend and assert provincial interests and independence. The third type is facilitative Crown corporations which endeavour to promote private sector growth and facilitate economic and industrial development.

In summary, the main normative rationales which might be used to justify the nationalization of mineral ventures are as follows:

- the resources belong to the people and should benefit the people;
- state intervention is necessary to raise the capital required for mineral developments;
- public enterprise will provide socially-beneficial services which the private sector will not provide;
- a public enterprise can conduct research and development on the sector, gain experience, and provide valuable information to government agencies;
- public ownership will serve to capture external benefits and collect resource rents;
- public ownership will enable governments to control the timing and pace of mineral development and exploitation;
- public enterprise will increase Canadian ownership and control in the economy;
- public ownership is a means of exerting greater provincial control over resource and economic development;
- public corporations can help create jobs, retain jobs, and modernize the economy;

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18. Marsha Gordon, Government in Business (Montreal: C.D. Howe Institute, 1981).
19. Marsha A. Chandler, 'State Enterprise and Partisanship in Provincial Politics', Canadian Journal of Political Science, 15, no. 4, December 1982, pp. 711-740.

- public enterprise intervention may be designed in part to improve industrial relations and working conditions in a sector.

We consider these various normative rationales in our case studies, examining their force as a basis for governmental action in the mineral resources sector.

THE AUTHORS

Bruce Doern is a native of Winnipeg. He holds a B. Comm., M.A., and Ph.D. degree from the University of Manitoba, Carleton University and Queen's University respectively. He is the author, editor or co-editor of over 15 books on Canadian public policy, government organization and public administration. His research includes work on several economic and social policy fields, including industrial, energy, environmental, occupational health, science and fiscal policy. It has also spanned numerous dimensions and institutions of politics and public policy including public spending, regulation, taxation and public enterprise. A political scientist, Professor Doern has been a faculty member at Carleton since 1968 when he joined the Department of Political Science. From 1972 to 1981 he was Director of the School of Public Administration. For the past 5 years he has coordinated the research and edited the School's HOW OTTAWA SPENDS book, an annual review of national priorities and public spending.

Michael J. Prince was born in Toronto in 1952. He holds a B.A. Honours in public administration from Carleton University, a Master of Public Administration from Queen's University, and a Ph.D. in politics from Exeter University. Dr. Prince joined the staff of Carleton University in 1978, and is now associate professor in the School of Public Administration. His research interests include policy analysis, social policy, regulation, and government organization.

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